

**CITY OF FRANKLIN, LOUISIANA**

Financial Report

Year Ended April 30, 2014

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E. Larry Sikes, CPA/PFS, CVA, CFP®  
Danny P. Frederick, CPA  
Clablyton E. Darnall, CPA, CVA  
Eugene H. Darnall, III, CPA  
Stephanie M. Higginbotham, CPA  
John P. Armato, CPA/PFS  
J. Stephen Gardes, CPA, CVA  
Jennifer S. Ziegler, CPA/PFS, CFP®  
Chris A. Miller, CPA, CVA  
Steven G. Moosa, CPA  
M. Rebecca Gardes, CPA  
Joan B. Moody, CPA  
Lauren V. Hebert, CPA/PFS  
Erich G. Loewer, III, CPA, M.S. Tax  
Stephen R. Dischler, MBA, CPA  
Pamela Mayeux Bonin, CPA, CVA  
Craig C. Babineaux, CPA/PFS, CFP®  
Jeremy C. Meaux, CPA  
Chad M. Bailey, CPA  
Adam J. Curry, CPA, CFP®  
Kyle P. Saltzman, CPA  
Blaine M. Crochet, CPA, M.S.

## INDEPENDENT AUDITOR'S REPORT

The Honorable Raymond Harris, Mayor  
and Members of the City Council  
City of Franklin, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Louisiana (hereinafter, "City"), as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City Court of the City of Franklin and the Ward Three Marshal of the Parish of St. Mary. Those statements were reviewed by other Certified Public Accountants whose reports have been furnished to us, and our opinion, insofar as it relates to the City Court of the City of Franklin and the Ward Three Marshal of the Parish of St. Mary, is based solely on the reports of the other Certified Public Accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

2000 Kaliste Saloom  
Suite 300  
Lafayette, LA 70508  
Phone: 337.232.3312  
Fax: 337.237.3614

1231 E. Laurel Avenue  
Eunice, LA 70535  
Phone: 337.457.4146  
Fax: 337.457.5060

1201 Brashear Avenue  
Suite 301  
Morgan City, LA 70380  
Phone: 985.384.6264  
Fax: 985.384.8140

203 S. Jefferson Street  
Abbeville, LA 70510  
Phone: 337.893.5470  
Fax: 337.893.5470

A Member of:  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

[www.dsfcpas.com](http://www.dsfcpas.com)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other Certified Public Accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of April 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 17 to the financial statements, certain errors resulting in overstatement of previously reported fund balances as of April 30, 2013, were discovered by management of the City during the year. Accordingly, adjustments have been made to fund balances as of April 30, 2013, to correct the errors. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 – 15 and 60 – 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial

statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information presented on pages 76 – 79 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Darnall, Sikes, Gardes & Frederick*  
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana  
November 15, 2014

## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

As management of the City of Franklin, Louisiana (hereinafter "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2014. This Management's Discussion and Analysis (hereinafter "MD&A") is designed to provide an objective and easy-to-read analysis of the City's financial activities based on currently known facts, decisions, or conditions.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplementary Information that is provided in addition to this MD&A.

### FINANCIAL HIGHLIGHTS

The City's assets exceeded its liabilities by \$15,768,220 (net position) for the fiscal year reported. This is a \$691,315 increase compared to last year's \$15,076,905. Total net position is comprised of the following:

1. Capital assets of \$10,989,893 which include property and equipment, net of accumulated depreciation and reduced for outstanding debt of \$4,077,305 related to the purchase or construction of capital assets.
2. Restricted net position of \$560,449 which includes \$341,846 for Debt Service, \$185,893 related to Special Revenue Funds, and \$32,710 for Perpetual Care.
3. Unrestricted net position of \$4,217,878 represents the portion available to maintain the City's continuing obligations to the citizens and creditors.

The above financial highlights are explained in more detail in the financial "analysis" section of this report.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The presentation of the City's financial statements is comprised of three elements: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

#### *GOVERNMENT-WIDE FINANCIAL STATEMENTS*

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term data about the City's overall financial position. Financial reporting at this level uses a perspective similar to that of the private sector with its basis in accrual accounting and reclassification of activities between funds.

The first statement of the government-wide financial statements is the Statement of Net Position. This statement presents data on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

The second of the government-wide financial statements is the Statement of Activities. The focus of the Statement of Activities is to reflect the gross and net cost of various activities that are provided by the government's general tax and other revenues. The statement also presents data showing how the City's net position changed during the current fiscal year as a result of these activities. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows; therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

Both government-wide financial statements highlight three basic activities of the City: those activities that are principally supported by sales taxes, ad valorem taxes, and franchise taxes (governmental activities); those that derive their income from business-type activities that are intended to recover all or a significant portion of its costs through user fees and charges; and those activities of two discretely presented component units.

Governmental activities include general government administration, public safety, streets and drainage, culture and recreation, sanitation services, urban redevelopment and housing, and economic development and assistance.

The only business-type activity in which the City engages is a water purification and distribution system. The City bills the recipients of the water that is produced by said system on a monthly basis.

The two component units are described on page 32 of this report.

The government-wide financial statements are presented on pages 17 - 20 of this report.

#### *FUND FINANCIAL STATEMENTS*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with related laws and regulations. Fund financial statements focus on each of the City's most significant funds rather than the City as a whole. Major funds are separately reported while nonmajor funds are combined in single and/or aggregated presentations. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements; however, fund statements provide a distinctive view of the City's governmental funds. These statements report on short-term fiscal accountability focusing on the use of available resources and on the balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating annual financing requirements of governmental programs and the commitment of available resources for the near term.

Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for *governmental funds* with the similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund



## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

balances provide a reconciliation which facilitates the evaluation of the relationship of *governmental funds* to *governmental activities*.

The basic governmental fund financial statements are presented on pages 21 – 25 of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The one City proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. The service that is provided to the City's enterprise customers is for water purification and distribution services.

The enterprise fund financial statements are presented on pages 26 – 30.

#### *NOTES TO THE BASIC FINANCIAL STATEMENTS*

The accompanying notes to the financial statements provide data essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements are presented on pages 31 – 58.

#### *OTHER INFORMATION*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary data concerning the City's budgetary presentations. Budgetary comparison schedules are included as "required supplementary information" for the General Fund and the Liquid and Solid Waste Fund. These schedules demonstrate compliance with the City's adopted and final amended budget. Required supplementary information can be found on pages 60 – 63 of this report.

Combining and individual statements and schedules for nonmajor funds are presented on pages 65 – 68 of this report.

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CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as an indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$15,768,220 at April 30, 2014. The following is a summary of the City's net position.

CITY OF FRANKLIN, LOUISIANA  
Condensed Statements of Net Position  
April 30, 2014, 2013, and 2012

	Governmental Activities			Business-type Activities			Totals		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
<b>Assets:</b>									
Current Assets	\$ 5,230,244	\$ 6,906,087	\$ 5,996,775	\$ (961,632)	\$ (1,141,984)	\$ (1,034,361)	\$ 4,268,612	\$ 5,764,103	\$ 4,962,014
Restricted Assets	-	-	-	911,150	1,045,437	925,334	911,150	1,045,437	925,334
Capital Assets	<u>9,505,178</u>	<u>9,490,748</u>	<u>10,849,176</u>	<u>3,989,446</u>	<u>4,233,903</u>	<u>4,218,022</u>	<u>13,494,624</u>	<u>13,724,651</u>	<u>15,067,198</u>
<b>Total Assets</b>	<b><u>\$14,735,422</u></b>	<b><u>\$16,396,835</u></b>	<b><u>\$16,845,951</u></b>	<b><u>\$ 3,938,964</u></b>	<b><u>\$ 4,137,356</u></b>	<b><u>\$ 4,108,995</u></b>	<b><u>\$18,674,386</u></b>	<b><u>\$20,534,191</u></b>	<b><u>\$20,954,946</u></b>
<b>Liabilities:</b>									
Current Liabilities	\$ 695,973	\$ 405,207	\$ 852,922	\$ 180,759	\$ 503,733	\$ 423,850	\$ 2,496,579	\$ 908,940	\$ 1,276,771
Payable From									
Restricted Assets	365,626	471,125	8,604	257,350	270,003	277,113	622,976	741,128	285,717
Long-term Liabilities	<u>941,960</u>	<u>2,331,023</u>	<u>2,103,267</u>	<u>1,702,334</u>	<u>1,591,000</u>	<u>1,508,000</u>	<u>2,644,294</u>	<u>3,922,023</u>	<u>3,611,267</u>
<b>Total Liabilities</b>	<b>2,003,559</b>	<b>3,207,355</b>	<b>2,964,793</b>	<b>2,140,443</b>	<b>2,364,736</b>	<b>2,208,963</b>	<b>4,144,002</b>	<b>5,572,091</b>	<b>5,173,755</b>
Deferred Inflows of Resources	-	-	12,970	-	-	-	-	-	12,970
<b>Net Position:</b>									
Net Investment in									
Capital Assets	8,452,919	6,960,279	8,362,871	2,212,112	2,561,903	2,627,022	10,665,031	9,522,182	10,989,893
Restricted	512,122	474,431	474,436	27,287	60,342	86,013	539,409	534,773	560,449
Unrestricted	<u>3,766,822</u>	<u>5,754,770</u>	<u>5,030,881</u>	<u>(440,878)</u>	<u>(849,625)</u>	<u>(813,003)</u>	<u>3,325,944</u>	<u>4,905,145</u>	<u>4,217,878</u>
<b>Total Net Position</b>	<b><u>\$12,731,863</u></b>	<b><u>\$13,189,480</u></b>	<b><u>\$13,868,188</u></b>	<b><u>\$ 1,798,521</u></b>	<b><u>\$ 1,772,620</u></b>	<b><u>\$ 1,900,032</u></b>	<b><u>\$14,530,384</u></b>	<b><u>\$14,962,100</u></b>	<b><u>\$15,768,220</u></b>

As with most cities, a large portion of the City's net position (70%) reflects its investment in capital assets (land, buildings, and equipment) less depreciation and any related outstanding debt associated with those assets. The City uses those assets to provide services to citizens. Although capital assets are reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The net increase in total investment in capital assets was \$1,467,711 which is a result of an increase of \$65,119 in the Business-type Activity and an overall increase of \$1,402,592 in assets devoted to Governmental Activities. The increase was due mainly to expenditures for street improvements and the renovations to City Hall which were funded from the proceeds of the bonds issued in the prior fiscal year. Also, since capital assets are reported net of depreciation, it should be stated that depreciation for the fiscal year was \$242,930 for the Business-type Activity and \$860,100 in Governmental Activities.

## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

Another portion of the City's net position (3.5%) represents resources that are subject to external restrictions on how they may be used. At the end of fiscal year 2014, net position totaling \$560,449 was subject to restrictions. Of this total, \$86,013 was subject to restrictions for debt service related to business-type activities, \$255,833 was restricted for debt service related to governmental activities, \$185,893 was related to special revenue items, and \$32,710 was comprised of nonexpendable perpetual care restrictions related to mausoleum services provided by the City.

Comparatively, 2013's restricted net position totaling \$534,773 was subject to the following restrictions: \$60,342 was restricted for debt service related to business-type activities, \$254,764 was restricted for debt services related to governmental activities, \$187,010 was related to special revenue items, and the remaining \$32,657 was comprised of nonexpendable perpetual care restrictions for governmental activities.

Approximately \$4,217,878 of the City's net position is unrestricted and may be used to meet the ongoing obligations of the government to its citizens and creditors. This is a \$687,267 decrease from the 2013 fiscal year and is due to expenditures of bond funds in support of infrastructure improvements.

It should be noted that the balance in unrestricted net position in the business-type activities is negative. This is a result of the fund not covering its cost of operation over a series of years including the current fiscal period. Measures have been taken to reverse this trend and are explained later in this discussion. There is a slight reduction in this number from a negative \$849,625 in the 2013 fiscal year to a negative \$813,003 this fiscal year.

At the end of the current fiscal year, the City continues to be able to report a positive balance in its total net position in both the governmental and business-type activities.

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# CITY OF FRANKLIN, LOUISIANA

## Management's Discussion and Analysis

The following schedule provides a summary of the City's changes in net position as reflected in the Statement of Activities. Along with 2014 data, this schedule also shows comparative data for the years 2013 and 2012.

### City of Franklin, Louisiana Condensed Statements of Activities For the Years Ended April 30, 2014, 2013, and 2012

	Governmental Activities			Business-Type Activities			Totals		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
<b>Revenues:</b>									
Program									
Charges For Services and Fines	\$ 1,699,358	\$ 1,645,593	\$ 1,628,187	\$ 1,680,336	\$ 1,582,485	\$ 1,639,640	\$ 3,379,694	\$ 3,228,078	\$ 3,267,827
Operating Grants and Contributions	810,390	400,420	349,952	-	-	-	810,390	400,420	349,952
Capital Grants and Contributions	283,594	576,064	388,422	7,603	26,334	78,700	291,197	602,398	467,122
General									
Sales Taxes	2,786,025	2,932,025	3,354,582	-	-	-	2,786,025	2,932,025	3,354,582
Other Taxes	1,064,168	1,143,584	1,192,369	-	-	-	1,064,168	1,143,584	1,192,369
Unrestricted Grants and Contributions	266,309	270,338	266,991	-	-	-	266,309	270,338	266,991
Interest	7,106	5,143	4,663	20,044	17,860	15,535	27,150	23,003	20,198
Rental	41,273	47,496	59,026	-	-	-	41,273	47,496	59,026
Cemetery/ Mausoleum	51,035	47,890	44,115	-	-	-	51,035	47,890	44,115
Miscellaneous	72,091	126,330	155,479	-	-	-	72,091	126,330	155,479
Loss on asset disposals	-	-	-	-	-	-	-	-	-
Transfers, net	<u>13,395</u>	<u>8,750</u>	<u>(15,372)</u>	<u>138,803</u>	<u>(8,750)</u>	<u>15,372</u>	<u>159,821</u>	<u>-</u>	<u>-</u>
Total Revenues and Transfers	<u>7,094,744</u>	<u>7,203,633</u>	<u>7,428,414</u>	<u>1,846,786</u>	<u>1,617,822</u>	<u>1,749,247</u>	<u>8,956,973</u>	<u>8,821,562</u>	<u>9,177,661</u>
<b>Program Expenses:</b>									
General Government									
Administrative	295,681	294,805	287,362	-	-	-	295,681	294,805	287,362
Judicial	229,966	243,905	233,377	-	-	-	229,966	243,905	233,377
Public Safety									
Police	1,301,848	1,275,422	1,282,047	-	-	-	1,301,848	1,275,422	1,282,047
Fire	685,197	654,949	659,600	-	-	-	685,197	654,949	659,600
Streets and Drainage	956,777	926,224	876,603	-	-	-	956,777	926,224	876,603
Other Funding	760,420	366,012	303,508	-	-	-	760,420	366,012	303,508
Recreation	521,107	399,545	422,886	-	-	-	521,107	399,545	422,886
Sanitation	2,186,918	2,240,824	2,356,380	-	-	-	2,186,918	2,240,824	2,356,380
Community Development	143,889	129,989	248,193	-	-	-	143,889	129,989	248,193
Food Services	56,324	49,003	45,247	-	-	-	56,324	49,003	45,247
Miscellaneous	954	19,199	50,661	-	-	-	954	19,199	50,661
Interest	119,370	56,399	120,853	63,112	68,380	71,108	182,482	124,779	191,871
Water Utility Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,498,994</u>	<u>1,590,893</u>	<u>1,528,611</u>	<u>1,514,427</u>	<u>1,590,893</u>	<u>1,528,611</u>
Total Expenses	<u>7,258,451</u>	<u>6,656,276</u>	<u>6,886,717</u>	<u>1,562,096</u>	<u>1,659,273</u>	<u>1,599,629</u>	<u>8,835,990</u>	<u>8,315,549</u>	<u>8,486,346</u>
Change In Net Assets	(163,707)	547,357	541,697	284,690	(41,344)	149,618	120,983	506,013	691,315
Beginning Net Assets	<u>12,805,830</u>	<u>12,642,123</u>	<u>13,326,491</u>	<u>1,529,274</u>	<u>1,813,964</u>	<u>1,750,414</u>	<u>14,335,104</u>	<u>14,456,087</u>	<u>15,076,905</u>
Ending Net Assets	<u>\$ 12,642,123</u>	<u>\$ 13,189,480</u>	<u>\$ 13,868,188</u>	<u>\$ 1,813,964</u>	<u>\$ 1,772,620</u>	<u>\$ 1,900,032</u>	<u>\$ 14,456,087</u>	<u>\$ 14,962,100</u>	<u>\$ 15,768,220</u>

## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

#### GOVERNMENTAL REVENUES

The City is heavily reliant on a percentage of sales taxes collected by the Parish of St. Mary to support governmental operations. The percentage is based on the ratio of the population of the City to the total population of the Parish. Sales tax collections provided a total of \$3,354,582 of the City's revenues. This is an increase of \$422,557 over the 2013 fiscal year and a \$568,557 increase over the 2012 fiscal year figure. Sales taxes comprised approximately 37% of the City's total revenues for governmental activities for the 2014 fiscal year, compared to 41% for the previous year.

The City's collection of other taxes – ad valorem, occupational, and franchise – remained approximately the same in magnitude compared to previous years with a modest increase of \$48,785 over the previous year.

The City earned \$4,663 in interest to support governmental activities, compared to \$5,143 in the 2013 fiscal year, and earned \$15,535 in interest to support business-type activities, compared to \$17,860 in the 2013 fiscal year. This trend represents the current status of financial markets.

The City's revenues in support of governmental activities other than taxes and interest amounted to \$2,876,800 in the 2014 fiscal year compared to \$3,122,881 in the 2013 fiscal year representing a 7.8% decrease due mainly to reduced federal funding.

For the 2014 fiscal year, program revenues totaled \$4,084,901 or 44% of operating revenues. In the 2013 fiscal year, program revenues accounted for 48% of governmental operating revenues. Grants and contributions in the 2014 fiscal year were \$817,074, a decrease of \$185,744 from the 2013 fiscal year total of \$1,002,818.

Total revenues from governmental activities were \$7,428,414 for the fiscal year ended April 30, 2014, an increase of \$224,781 over the 2013 fiscal year's total of \$7,203,633 due mainly to an increase in sales tax collections.

#### GOVERNMENTAL FUNCTIONAL EXPENSES

Governmental expenses for the 2014 fiscal year increased by \$230,441 compared to the 2013 fiscal year. This represents a 3.5% overall increase in expenses.

The most significant increases in expenses in this fiscal year were in the areas of Sanitation and Community Development which accounted for increases of \$115,556 and \$118,204, respectively. Interest expense increased by \$64,454 due to interest on the new bonds issued in the prior year.

In a reverse of that trend, most of the operational departments experienced decreases in expenditures this current year ranging from 0.5% to 17.1% due to increased awareness of budgetary restraints on the part of departmental managers.

# CITY OF FRANKLIN, LOUISIANA

## Management's Discussion and Analysis

### CHANGE IN NET POSITION

The total change in net position was an increase of \$691,315 for the fiscal year ended April 30, 2014, compared to an increase of \$506,013 for the fiscal year ended April 30, 2013. The increase in net position was due mostly to the efforts in the various departments to control expenditures as noted above. Grant revenue decreased by \$185,744 but was offset by increased sales tax revenues of \$422,557. The interplay of these increases and decreases along with the minor revenue items gave rise to the total change in net position.

In summary, with the uptick in drilling in the Gulf of Mexico, the City has seen a modest increase in sales tax revenue and service fee collections that has been offset somewhat by reduced grant income. This has resulted in an increase in revenue of \$356,099 which represents a 36.6% increase over the previous year. The City is continuing to concentrate its efforts toward containing departmental costs and securing grants to address infrastructure needs as the future of sales tax revenues is not clear.

### ANALYSIS OF GOVERNMENTAL ACTIVITIES

The following table presents the cost of each of the City's services and the net cost (i.e. total cost less revenue generated by activities). The net cost illustrates the financial demand that was levied on the City's taxpayers by each of these activities.

	Total Cost of Services			Net Cost of Services		
	2012	2013	2014	2012	2013	2014
Program Expenses:						
General Government	\$ 525,647	\$ 538,710	\$ 520,739	\$ 50,650	\$ (47,706)	\$ 209,817
Public Safety:						
Police	1,301,848	1,275,422	1,282,047	(1,116,229)	(1,133,348)	(1,142,213)
Fire	685,197	654,949	659,600	(615,048)	(584,672)	(537,243)
Streets/drainage	956,777	926,224	876,603	(785,635)	(370,037)	(863,928)
Other funding	760,420	366,012	303,508	(47,297)	(91,273)	(117,000)
Recreation	521,107	399,545	422,886	(515,713)	(389,045)	(378,386)
Sanitation	2,186,918	2,240,824	2,356,380	(1,191,076)	(1,232,273)	(1,271,676)
Community Dev.	143,889	129,989	248,193	(111,672)	(104,397)	(248,193)
Food Services	56,324	49,003	45,247	(12,765)	(5,850)	180
Miscellaneous	954	19,199	50,661	(954)	(19,199)	(50,661)
Interest	<u>119,370</u>	<u>56,399</u>	<u>120,853</u>	<u>(119,370)</u>	<u>(56,399)</u>	<u>(120,853)</u>
Total Expenses	<u>\$ 7,258,451</u>	<u>\$ 6,656,276</u>	<u>\$ 6,886,717</u>	<u>\$ (4,465,109)</u>	<u>\$ (4,034,199)</u>	<u>\$ (4,520,156)</u>

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

BUSINESS-TYPE ACTIVITIES

The City's business-type activity consists of the proprietary Water Enterprise Fund which finances the production and distribution of safe drinking water and the water needed for firefighting. During the year, the department has concentrated on the maintenance and improvement of the water distribution system to reduce the loss of water due to leaks in the system and the replacement of leaking and non-functioning fire hydrants.

A comparison of the net position of the enterprise fund for the current fiscal year and the prior year is included below.

Water Enterprise Fund  
Assets, Liabilities and Net Position

NET POSITION	2013	2014	Net Change
Net investment in capital assets	\$ 2,561,903	\$ 2,627,022	\$ 65,119
Restricted for revenue bond retirement	60,342	86,013	25,671
Unrestricted	<u>(849,625)</u>	<u>(813,003)</u>	<u>36,622</u>
Total net position	<u>\$ 1,772,620</u>	<u>\$ 1,900,032</u>	<u>\$ 127,412</u>

	2013	2014	Net Change		2013	2014	Net Change
ASSETS				LIABILITIES			
Current assets				Current liabilities			
Cash and interest bearing deposits	\$ 59,193	\$ 151,921	\$ 92,728	Accounts payable	\$ 65,619	\$ 64,019	\$ (1,600)
Accounts receivable, net	336,365	445,854	109,489	Accrued liabilities	31,562	33,201	1,639
Due from Federal government	-	-	-	Contracts payable	402,665	322,503	(80,162)
Due from other governmental units	-	78,700	78,700	Notes payable	3,887	4,126	239
Prepaid expenses	5,759	7,116	1,357	Due to other funds	<u>2,139,704</u>	<u>2,094,446</u>	<u>(45,258)</u>
Due from other funds	<u>562,604</u>	<u>376,494</u>	<u>(186,110)</u>	Total	<u>2,643,437</u>	<u>2,518,295</u>	<u>(125,142)</u>
Total current assets	<u>963,921</u>	<u>1,060,085</u>	<u>96,164</u>				
Restricted assets				Current liabilities			
Bond and interest sinking fund - cash	60,342	86,013	25,671	Payable from restricted assets			
Capital additions/contingencies - cash	831,990	685,888	(146,102)	Revenue bonds payable	81,000	83,000	2,000
Reserve funds - cash	<u>153,105</u>	<u>153,433</u>	<u>328</u>	Accrued interest	-	-	-
Total restricted assets	<u>1,045,437</u>	<u>925,334</u>	<u>(120,103)</u>	Customer's deposits	<u>189,003</u>	<u>194,113</u>	<u>5,110</u>
Property, plant and equipment, net	<u>4,233,903</u>	<u>4,218,022</u>	<u>(15,881)</u>	Total	<u>270,003</u>	<u>277,113</u>	<u>7,110</u>
Other assets				Long-term liabilities			
Bond issuance costs, net	<u>33,799</u>	<u>-</u>	<u>(33,799)</u>	Revenue bonds payable, net	<u>1,591,000</u>	<u>1,508,000</u>	<u>(83,000)</u>
Total assets	<u>\$ 6,277,060</u>	<u>\$ 6,203,441</u>	<u>\$ (73,619)</u>	Total liabilities	<u>\$ 4,504,440</u>	<u>\$ 4,303,409</u>	<u>\$ (201,031)</u>

# CITY OF FRANKLIN, LOUISIANA

## Management's Discussion and Analysis

The information presented on the previous page shows the net change in the various assets and liabilities. Over the prior years, the enterprise operation has had to be supplemented by interdepartmental funds as evidenced by the Due to Other Funds balance of \$2,094,446, a slight decrease of \$45,258 over previous years. The reliance on other funds is the factor that makes the Unrestricted Net Position amount a negative \$813,003 at April 30, 2014. The City has embarked on a plan to minimize this fund's reliance on other funds for cash needs during the upcoming years, and while the decrease is minimal this year, it is an indication that progress can be made in that direction.

### Revenues vs. Costs

The business-type activity of the City reported a \$111,029 operating profit for the year compared to a \$8,408 operating loss for the prior year, which is an upward swing of \$119,437. A major factor contributing to this profit is efficiencies in water production as a result of the addition of the clarifier cover which helps reduce chemical costs. While most of the revenue items experienced a slight decrease, it was more than overcome by the additional water sales revenue. The additional water revenue and reduction in chemical costs resulted in the earnings turnaround.

### Water Enterprise Fund Revenue and Expense

	2013	2014	Net Change
Operating revenues:			
Water sales	\$ 1,263,560	\$ 1,329,320	\$ 65,760
Reconnection and installation fees	39,737	36,165	(3,572)
Delinquent charges	21,524	19,572	(1,952)
Street light fees	179,305	177,717	(1,588)
Mosquito control	77,010	75,907	(1,103)
Miscellaneous	<u>1,349</u>	<u>959</u>	<u>(390)</u>
Total operating revenues	<u>1,582,485</u>	<u>1,639,640</u>	<u>57,155</u>
Operating expenses:			
Administrative and finance	38,971	35,152	(3,819)
Water production	544,009	460,199	(83,810)
Water distribution	210,988	212,530	1,542
Billings and collections	252,174	243,849	(8,325)
Meter department	74,159	72,774	(1,385)
Depreciation and amortization	227,984	242,930	14,946
Street light fees	170,923	189,552	18,629
Mosquito abatement control	<u>71,685</u>	<u>71,625</u>	<u>(60)</u>
Total operating expenses	<u>1,590,893</u>	<u>1,528,611</u>	<u>(62,282)</u>
Operating income (loss)	<u>\$ (8,408)</u>	<u>\$ 111,029</u>	<u>\$ 119,437</u>



## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

#### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

##### *Governmental Funds*

Governmental funds are reported in the fund statements with a short-term inflows and outflows of disburseable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

Governmental funds reported ending fund balances of \$5,463,066. With the advent of the City having to report under Governmental Accounting Standards Board Statement No. 54 (GASB 54), assets previously reported as unrestricted in prior years were subject to being allocated to production of City services and shown as Nonspendable, Restricted, Committed, Assigned, and Unassigned. Please refer to Note 18 of this report for a complete explanation of this concept.

Attention is called to the committed category (with a balance of \$3,492,449) where the City itself has constrained amounts to specific purposes using the highest level of decision-making authority, i.e., the City Council. This concept is reflective of decisions demonstrated in the operating budget of the City which outlines the specific uses of the funds available.

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance at year end was \$1,517,732, of which \$1,322,587 was fully unassigned. The General Fund's total revenue increased by \$46,088 over the prior year primarily due to increased tax collections. Expenditures increased by \$327,787 over the prior year; however, this year's debt service factor increased by \$174,088 due to payments required by bonds issued last fiscal year. Increased expenditures in the area of community development accounted for \$98,074 of the difference over the prior year.

The Liquid and Solid Waste Fund provides sanitation services to the City and bills citizens for that service along with its water billing. That fund had total revenues of \$2,518,113 in the 2014 fiscal year and expenditures of \$2,002,895 charged against that revenue. Its ending fund balance was \$3,288,931 of which \$11,159 was classified as Nonspendable leaving a remaining \$3,277,772 committed to providing future services.

Another major governmental fund of note is the Capital Outlay Fund which has a fully committed, ending fund balance of \$214,677. Expenditures for the fiscal year totaled \$2,320,211 of which the major expenditures included \$838,561 for street overlays, \$471,434 for sewer lift station improvements, \$565,452 for renovation of City Hall, \$50,000 for Caffery Park, \$60,940 on replacement lamp posts, \$42,421 on fire department upgrades, \$38,203 on City Court major repairs, and the remaining amounts on minor projects and vehicle purchases.

Nonmajor governmental funds consist of special revenue funds and debt service funds. These funds had combined total fund balances of \$441,726 and are reported as fully restricted or committed to the purposes of the various funds in compliance with GASB 54. See the Supplemental Information section included in this report.

## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

#### *The Proprietary Fund*

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term data about the City's financial position.

The City has total net position of \$1,900,032 in its proprietary fund comprised of \$2,627,022 invested in capital assets (net of accumulated depreciation and related debt), \$86,013 restricted for revenue bond retirement, and \$(813,003) in unrestricted net position due to amounts owed to other funds.

#### GENERAL FUND – BUDGETARY HIGHLIGHTS

The major difference between the original General Fund budget and the amended General Fund budget in regards to revenue was a positive variance of \$371,601 (8.4%) which was due to the interplay of the positive variances of \$245,532 in intergovernmental revenue, \$23,608 in permits, fines, and rental fees, and the \$96,605 positive variance in cemetery and miscellaneous income.

In comparing the General Fund budget for expenditures there is a negative variance of \$38,614 (0.9%) from the amended budget. This situation was attained as a result of more inclusion of department heads into the budgetary process and managerial action on the part of the Mayor and those individuals to communicate to City employees the necessity of closely monitoring spending.

#### ECONOMIC CONDITIONS AFFECTING THE CITY

For the fiscal year ended April 30, 2014, the City of Franklin experienced an increase in tax revenues. As the City looks to the future, it has the expectation that, as the oil industry continues to recover, so also the tax revenue will continue to grow; however, indications are that it will be at a slightly slower pace.

The City is looking forward to moving forward with the Governor's Archives to be funded by a State grant. The City has yet to receive the funds but is moving forward with planning the project and has been assured that the funds will be available as work progresses on the project.

Utility workers are actively pursuing repair and improvement of the water distribution system to minimize water loss, and the City has applied for federal grants to replace and improve the aging drainage infrastructure.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances, compliance with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Director of Finance, Edward W. Hay or Mayor Raymond Harris, Jr., Post Office Box 567, Franklin, Louisiana 70538.

## **FINANCIAL SECTION**

CITY OF FRANKLIN, LOUISIANA

Statement of Net Position  
April 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and interest-bearing deposits	\$ 3,460,146	\$ 151,921	\$ 3,612,067	\$ 47,092
Receivables:				
Taxes	554,377	-	554,377	-
Accounts, net of allowance	64,487	425,775	490,262	10,672
Special assessments	12,970	-	12,970	-
Loans, net of allowance	10,033	-	10,033	-
Other	-	20,079	20,079	-
Internal balances	1,717,952	(1,717,952)	-	-
Prepaid expenses	73,518	7,116	80,634	-
Restricted assets:				
Cash	-	925,334	925,334	-
Due from other governmental units	103,292	78,700	181,992	13,432
Capital assets not being depreciated	2,484,299	-	2,484,299	-
Depreciable capital assets, net of accumulated depreciation	<u>8,364,877</u>	<u>4,218,022</u>	<u>12,582,899</u>	<u>15,113</u>
Total assets	<u>\$ 16,845,951</u>	<u>\$ 4,108,995</u>	<u>\$ 20,954,946</u>	<u>\$ 86,309</u>

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 222,794	\$ 64,019	\$ 286,813	\$ 5,548
Accrued liabilities	158,409	33,201	191,610	1,531
Contracts payable	105,822	322,503	428,325	-
Notes payable	33,714	4,126	37,840	-
Payable from restricted assets:				
Revenue bonds payable, current portion	-	83,000	83,000	-
Accrued interest	8,604	-	8,604	-
Customer deposits	-	194,113	194,113	-
Current portion of long-term obligations	332,183	-	332,183	-
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	<u>2,103,267</u>	<u>1,508,000</u>	<u>3,611,267</u>	<u>-</u>
Total liabilities	2,964,793	2,208,963	5,173,755	7,079
DEFERRED INFLOWS OF RESOURCES				
	12,970	-	12,970	-
NET POSITION				
Net investment in capital assets	8,362,871	2,627,022	10,989,893	15,113
Restricted for:				
Debt service	255,833	86,013	341,846	-
Special revenue funds	185,893	-	185,893	-
Perpetual care	32,710	-	32,710	-
Unrestricted	<u>5,030,881</u>	<u>(813,003)</u>	<u>4,217,878</u>	<u>64,117</u>
Total net position	\$ 13,868,188	\$ 1,900,032	\$ 15,768,220	\$ 79,230

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Activities  
Year Ended April 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Administrative	\$ 287,362	\$ 434,820	\$ -	\$ 232,556
Judicial	233,377	63,180	-	-
Public safety:				
Police	1,282,047	109,777	29,664	393
Fire	659,600	32,523	43,853	45,981
Public works:				
Streets and drainage	876,603	-	-	12,675
Other funding	303,508	-	186,508	-
Recreation	422,886	-	44,500	-
Sanitation	2,356,380	987,887	-	96,817
Community development	248,193	-	-	-
Food services	45,247	-	45,427	-
Miscellaneous	50,661	-	-	-
Interest and fiscal charges on debt	<u>120,853</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	6,886,717	1,628,187	349,952	388,422
Business-type activities:				
Utility fund	1,528,611	1,639,640	-	78,700
Component units:				
City Court	166,082	61,652	88,355	-
Ward Three Marshal	<u>138,873</u>	<u>32,483</u>	<u>98,345</u>	<u>-</u>
Total component unit activities	304,955	94,135	186,700	-
Total government	<u>\$ 8,720,283</u>	<u>\$ 3,361,962</u>	<u>\$ 536,652</u>	<u>\$ 467,122</u>

General Revenues:

Taxes:

  Ad valorem

  Sales

  Franchise

Grants and contributions not restricted

Interest and investment earnings

Rentals

Cemetery and mausoleum sales

Miscellaneous

Transfers

  Total general revenues and transfers

  Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenues and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ 380,014	\$ -	\$ 380,014	\$ -
(170,197)	-	(170,197)	-
(1,142,213)	-	(1,142,213)	-
(537,243)	-	(537,243)	-
(863,928)	-	(863,928)	-
(117,000)	-	(117,000)	-
(378,386)	-	(378,386)	-
(1,271,676)	-	(1,271,676)	-
(248,193)	-	(248,193)	-
180	-	180	-
(50,661)	-	(50,661)	-
(120,853)	(71,018)	(191,871)	-
(4,520,156)	(71,018)	(4,591,174)	-
-	189,729	189,729	-
-	-	-	(16,075)
-	-	-	(8,045)
-	-	-	(24,120)
(4,520,156)	118,711	(4,401,445)	(24,120)
735,715	-	735,715	-
3,354,582	-	3,354,582	-
456,654	-	456,654	-
266,991	-	266,991	-
4,663	15,535	20,198	85
59,026	-	59,026	-
44,115	-	44,115	-
155,479	-	155,479	4,762
(15,372)	15,372	-	-
5,061,853	30,907	5,092,760	4,847
541,697	149,618	691,315	(19,273)
13,326,491	1,750,414	15,076,905	98,503
\$ 13,868,188	\$ 1,900,032	\$ 15,768,220	\$ 79,230

The accompanying notes are an integral part of this statement.

## CITY OF FRANKLIN, LOUISIANA

Balance Sheet – Governmental Funds  
April 30, 2014

	General Fund	Liquid and Solid Waste Fund	Capital Outlay Fund	Other Governmental	Total Governmental Funds
<b>ASSETS</b>					
Cash and interest-bearing deposits	\$ 1,740,228	\$ 984,109	\$ 333,591	\$ 402,218	\$ 3,460,146
Receivables:					
Taxes	352,878	201,499	-	-	554,377
Accounts	64,487	-	-	-	64,487
Special assessments	-	-	-	12,970	12,970
Loans, net of allowance	-	-	-	10,033	10,033
Prepaid expenses	62,359	11,159	-	-	73,518
Due from other governmental units	65,761	37,531	-	-	103,292
Due from other funds	-	2,213,798	-	30,000	2,243,798
Total assets	<u>\$ 2,285,713</u>	<u>\$3,448,096</u>	<u>\$ 333,591</u>	<u>\$ 455,221</u>	<u>\$ 6,522,621</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 77,924	\$ 131,253	\$ 13,092	\$ 525	\$ 222,794
Accrued liabilities	136,289	22,120	-	-	158,409
Contracts payable	-	-	105,822	-	105,822
Notes payable	27,922	5,792	-	-	33,714
Due to other funds	<u>525,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>525,846</u>
Total liabilities	767,981	159,165	118,914	525	1,046,585
Deferred inflows of resources	-	-	-	12,970	12,970
Fund balances:					
Nonspendable	95,069	11,159	-	-	106,228
Restricted	-	-	-	441,726	441,726
Committed	-	3,277,772	214,677	-	3,492,449
Assigned	100,076	-	-	-	100,076
Unassigned	<u>1,322,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,322,587</u>
Total fund balances	<u>1,517,732</u>	<u>3,288,931</u>	<u>214,677</u>	<u>441,726</u>	<u>5,463,066</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,285,713</u>	<u>\$3,448,096</u>	<u>\$ 333,591</u>	<u>\$ 455,221</u>	<u>\$ 6,522,621</u>

The accompanying notes are an integral part of this statement.



CITY OF FRANKLIN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
April 30, 2014

Total fund balances - governmental funds	\$ 5,463,066
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	10,849,176
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(2,435,450)
Accrued interest is not due and payable in the current period and, therefore, is not reported in the governmental fund.	<u>(8,604)</u>
Total net position - governmental activities	<u>\$ 13,868,188</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended April 30, 2014

	General Fund	Liquid and Solid Waste Fund	Capital Outlay Fund	Other Governmental	Total Governmental Funds
Revenues:					
Taxes	\$ 3,101,371	\$ 1,445,581	\$ -	\$ -	\$ 4,546,952
Licenses and permits	434,820	-	-	-	434,820
Intergovernmental	925,832	296,174	56,224	45,427	1,323,657
Assessments	-	-	-	4,315	4,315
Charges for services	-	773,970	-	3,890	777,860
Fines and forfeitures	92,897	-	-	-	92,897
Rentals	59,025	-	-	-	59,025
Investment earnings	2,686	453	61	1,464	4,664
Cemetery and crypt sales	44,115	-	-	-	44,115
Miscellaneous	<u>153,495</u>	<u>1,935</u>	<u>-</u>	<u>53</u>	<u>155,483</u>
Total revenues	4,814,241	2,518,113	56,285	55,149	7,443,788
Expenditures:					
Current -					
General government:					
Administrative	273,574	-	-	-	273,574
Judicial	234,100	-	-	-	234,100
Public safety:					
Police	1,213,191	-	-	4,666	1,217,857
Fire	529,234	-	-	-	529,234
Public works:					
Streets and drainage	731,733	-	-	-	731,733
Other funding	321,841	-	-	-	321,841
Recreation	341,447	-	-	-	341,447
Sanitation	-	2,002,895	-	-	2,002,895
Community development	198,753	-	-	-	198,753
Food services	-	-	-	45,247	45,247
Miscellaneous	-	-	50,002	659	50,661
Debt service -					
Principal	111,749	-	-	147,864	259,613
Interest and fiscal charges	81,766	-	-	34,121	115,887
Capital outlay	<u>82,694</u>	<u>-</u>	<u>2,088,490</u>	<u>-</u>	<u>2,171,184</u>
Total expenditures	<u>4,120,082</u>	<u>2,002,895</u>	<u>2,138,492</u>	<u>232,557</u>	<u>8,494,026</u>
Excess (deficiency) of revenues over expenditures	694,159	515,218	(2,082,207)	(177,408)	(1,050,238)

(Continued)

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Continued)  
Year Ended April 30, 2014

	General Fund	Liquid and Solid Waste Fund	Capital Outlay Fund	Other Governmental	Total Governmental Funds
Other financing sources (uses):					
Loan proceeds	51,253	-	-	-	51,253
Transfers in	2,000	-	709,254	177,360	888,614
Transfers out	<u>(287,427)</u>	<u>(616,559)</u>	<u>-</u>	<u>-</u>	<u>(903,986)</u>
Total other financing sources (uses)	<u>(234,174)</u>	<u>(616,559)</u>	<u>709,254</u>	<u>177,360</u>	<u>35,881</u>
Changes in fund balances	459,985	(101,341)	(1,372,953)	(48)	(1,014,357)
Fund balances, beginning	<u>1,057,747</u>	<u>3,390,272</u>	<u>1,587,630</u>	<u>441,774</u>	<u>6,477,423</u>
Fund balances, ending	<u>\$ 1,517,732</u>	<u>\$3,288,931</u>	<u>\$ 214,677</u>	<u>\$ 441,726</u>	<u>\$ 5,463,066</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Year Ended April 30, 2014

Net changes in fund balances - governmental funds	\$ (1,014,357)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period	1,311,086
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	274,613
Loan proceeds provide current financing resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(51,253)
Costs associated with pension obligations	3,512
Excess of compensated absences used over amounts earned	22,681
Excess of interest paid over interest accrued	<u>(4,585)</u>
Change in net position - governmental activities	<u>\$ 541,697</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Net Position – Proprietary Fund  
April 30, 2014

	<u>Water Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and interest-bearing deposits	\$ 151,921
Receivables:	
Accounts, net of allowance	425,775
Other	20,079
Prepaid expenses	7,116
Due from other governmental units	78,700
Due from other funds	<u>376,494</u>
Total current assets	1,060,085
Restricted assets:	
Debt service fund -	
Cash	86,013
Capital additions and contingencies account -	
Cash	685,888
Reserve fund -	
Cash	<u>153,433</u>
Total restricted assets	925,334
Property, plant, and equipment:	
Property, plant, and equipment, at cost, net of accumulated depreciation of \$4,451,909	<u>4,218,022</u>
Total assets	<u>\$ 6,203,441</u>

CITY OF FRANKLIN, LOUISIANA  
Statement of Net Position – Proprietary Fund  
April 30, 2014

	Water Enterprise Fund
	<hr/>
LIABILITIES	
Current liabilities (payable from current assets):	
Accounts payable	\$ 64,019
Accrued liabilities	33,201
Contracts payable	322,503
Note payable	4,126
Due to other funds	<u>2,094,446</u>
Total current liabilities (payable from current assets)	2,518,295
Current liabilities (payable from restricted assets):	
Revenue bonds payable	83,000
Customer deposits	<u>194,113</u>
Total current liabilities (payable from restricted assets)	277,113
Long-term liabilities:	
Revenue bonds payable, net of current portion	<u>1,508,000</u>
Total liabilities	4,303,409
NET POSITION	
Net investment in capital assets	2,627,022
Restricted for revenue bond retirement	86,013
Unrestricted	<u>(813,003)</u>
Total net position	<u><u>\$ 1,900,032</u></u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
Year Ended April 30, 2014

	Water Enterprise Fund
Operating revenues:	
Water sales	\$ 1,329,320
Reconnection and installation fees	36,165
Delinquent charges	19,572
Street light fees	177,717
Mosquito control	75,907
Miscellaneous	<u>959</u>
Total operating revenues	1,639,640
Operating expenses:	
Administrative and finance	35,152
Water production	460,199
Water distribution	212,530
Billings and collections	243,849
Meter department	72,774
Depreciation and amortization	242,930
Street light fees	189,552
Mosquito control	<u>71,625</u>
Total operating expenses	<u>1,528,611</u>
Operating income	111,029
Nonoperating revenues (expenses):	
Interest income	15,535
Interest and fiscal charges	<u>(71,018)</u>
Total nonoperating revenues (expenses)	<u>(55,483)</u>
Income before contributions and transfers	55,546
Capital contributions	78,700
Transfers in	181,720
Transfers out	<u>(166,348)</u>
Change in net position	149,618
Net position, beginning	<u>1,750,414</u>
Net position, ending	<u>\$ 1,900,032</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Cash Flows – Proprietary Fund  
Year Ended April 30, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 1,553,886
Payments to suppliers for goods and services	(871,853)
Payments to employees	<u>(499,127)</u>
Net cash provided by operating activities	182,906

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES**

Operating transfers from other funds	15,372
Increase in due to other funds	<u>137,879</u>
Net cash provided by noncapital financing activities	153,251

**CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Principal payments on revenue bonds	(81,000)
Interest payments on revenue bonds	(71,018)
Acquisition and construction of capital assets	<u>(227,049)</u>
Net cash used by capital and related financing activities	(379,067)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on interest-bearing deposits	<u>15,535</u>
Net cash provided by investing activities	<u>15,535</u>
Net decrease in cash and cash equivalents	(27,375)
Cash and cash equivalents, beginning of period	<u>1,104,630</u>
Cash and cash equivalents, end of period	<u>\$ 1,077,255</u>

**Reconciliation of operating income to net cash  
provided by operating activities:**

Operating income	\$ 111,028
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	242,930
Increase in accounts receivable	(89,410)
Increase in other receivables	(20,079)
Increase in prepaid expenses	(1,357)
Increase in accounts payable and other accrued liabilities	14,607
Decrease in contracts payable	(80,162)
Increase in note payable	239
Increase in customer meter deposits	<u>5,110</u>
Total adjustments	<u>71,878</u>
Net cash provided by operating activities	<u>\$ 182,906</u>



CITY OF FRANKLIN, LOUISIANA

Statement of Cash Flows – Proprietary Funds (Continued)  
Year Ended April 30, 2014

Reconciliation of cash and cash equivalents per  
statement of cash flows to the statement of net position:

Cash and cash equivalents, beginning of period -	
Interest-bearing deposits - unrestricted	\$ 59,193
Interest bearing deposits - restricted	<u>1,045,437</u>
Total cash and cash equivalents	1,104,630
 Cash and cash equivalents, end of period -	
Interest-bearing deposits - unrestricted	151,921
Interest-bearing deposits - restricted	<u>925,334</u>
Total cash and cash equivalents	<u>1,077,255</u>
 Net decrease in cash and cash equivalents	 <u>\$ (27,375)</u>

The accompanying notes are an integral part of this statement.

## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Franklin, Louisiana (hereinafter “City”) was incorporated on April 15, 1876, under the provisions of a special charter. The City operated under a Mayor-Council form of government until August 1, 2004, at which time the City adopted a Home Rule Charter and now operates under an elected Mayor-Council, administrative-legislative form of government. The City's operations include police and fire protection, streets and drainage, parks and recreation, residential waste collection services, certain social services and general and administration services. The City owns and operates an enterprise fund which provides water services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513, the *Louisiana Governmental Audit Guide* and to the industry audit guide, *Audits of State and Local Governmental Units*. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of certain significant accounting policies:

#### Financial Reporting Entity

GASB Statement No. 14, “The Financial Reporting Entity,” establishes several criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the primary government’s governing authority (City Council) appoints a majority of board members of the potential component unit.
3. Fiscal interdependency between the primary government and the potential component unit.
4. Imposition of will by the primary government on the potential component unit.
5. Financial benefit/burden relationship between the primary government and the potential component unit.

## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Based on the preceding criteria the City Court of the City of Franklin and Ward Three Marshal of the Parish of St. Mary are considered to be component entities:

1. The City Court of the City of Franklin establishes a court for the City of Franklin and the territorial jurisdiction throughout Ward Three of St. Mary Parish, Louisiana. The purpose of the City Court is to collect all fines, forfeitures, penalties, and costs assessed. The judge and marshal are elected to six year terms. The fiscal year of the City Court of the City of Franklin ends on June 30<sup>th</sup>, which is different from that of the primary government. The City provides the facilities in which the Court operates and has approval authority over certain expenditures made by the Court. A publicly available financial report that includes financial information may be obtained by writing to the Franklin City Court, 508 2<sup>nd</sup> Street, Franklin, Louisiana 70538.
2. The Marshal's Fund of the City Court of the City of Franklin accounts for the activities of the Marshal in carrying out the duties of the Court. The expenses of carrying out these duties are defrayed by court costs collected through the City Court. The fiscal year of the Marshal's Fund of the City Court of the City of Franklin ends on June 30<sup>th</sup>, which is different from that of the primary government. The City provides the facilities in which the Marshal operates and has approval authority over certain expenditures made by the Marshal. A publicly available financial report that includes financial information may be obtained by writing to the Franklin City 3<sup>rd</sup> Ward Marshal, P.O. Box 343; Franklin, Louisiana 70538.

For financial reporting purposes, the City has chosen to issue financial statements of the City of Franklin, Louisiana, primary government, and both component units noted above.

#### Change in Accounting

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was implemented during the year ended April 30, 2014. This GASB statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This implementation resulted in removing the line item "Deferred revenue" previously reported as a liability on the Governmental Fund Balance Sheet and the Statement of Net Position and creating a separate section following the Liabilities section labeled "Deferred Inflows of Resources" to record items previously reported as deferred revenue.

#### Basis of Presentation

##### *Government-wide Financial Statements:*

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary-government

## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and the total for its component units. As a general rule, the effect of interfund activity, within the governmental, business-type activities, and component unit columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### *Fund Financial Statements:*

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

#### Governmental Funds

##### General fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

##### Special revenue funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

##### Debt service funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

##### Capital projects funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

Enterprise fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City are water user fees. The operating cost of the proprietary fund is all costs associated with the operation of the water distribution system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Funds:

*General Fund*—primary operating fund of the City. The general fund is always classified as a major fund.

Special Revenue Fund:

*Liquid and Solid Waste Fund*—accounts for the receipt and use of proceeds of the City's share of the  $\frac{3}{4}$  of 1% sales and use tax. These taxes are dedicated for the construction, acquisition, extension, improvement, operation, and maintenance of solid waste collection and disposal, sewers and sewerage disposal works, other facilities for pollution control and abatement, and to provide funds to pay debt service requirements on bonds issued for such purposes.

Capital Projects Fund:

*Capital Outlay Fund*—accounts for the receipt and expenditure of funds received from grant sources for the purpose of acquiring assets or other capital expenditures.

Proprietary Fund:

*Utility Fund*—accounts for the provision of water service to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, financing and related debt service and billing and collection.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Funds:

Special Revenue Funds:

*Summer Feeding Program*—accounts for the receipt and use of funds reimbursed under the National School Lunch Act.

*Revolving Loan Fund*—accounts for a revolving loan fund set up to loan funds to area small businesses or prospective small businesses. The fund was initially financed through a federal grant. Funds received from loan repayments are used for additional loans.

*W. McKerall O'Neill Shell Fund*—accounts for the receipt and disbursement of a private grant from Shell Oil Company for the purpose of loaning funds to individuals for rehabilitation of homes in the City of Franklin.

*Narcotic Aid Fund*—accounts for the receipt and disbursement of funds collected by the District Attorney's office for drug enforcement.

Debt Service Funds:

*1995 Water and Sewer Revenue Bond Sinking Fund*—accumulates monies for the payment of the 1995 \$400,000 (Series A) Bonds.

*1995 Water and Sewer Revenue Bond Reserve Fund*—this reserve is required by the 1995 \$400,000 (Series A) Bonds.

*1998 Sales Tax Fire Equipment Sinking Fund*—accumulates monies for payment of capital leases for fire equipment and police cars and certificates of indebtedness for the purchase of a fire truck.

*2000 Water and Sewer Revenue Bond Sinking Fund*—accumulates revenues for payment of the 2000 \$758,000 Water and Sewer Revenue Bonds. Debt Service is financed with Liquid and Solid Waste revenues.

*2000 Water and Sewer Revenue Bond Reserve Fund*—a reserve fund required by the 2000 \$758,000 Water and Sewer Revenue Bonds.

*Water and Sewer System Renewal and Replacement Fund*—a fund required by the 2000 Water and Sewer Revenue Bonds to accumulate funds to care for extensions, additions, and improvements to properly operate the wastewater plant and sewer system.

*Consolidated Sewerage District No. 1 Fund*—accounts for the funds received from special assessments used to pay a portion of the cost of the acquisition and construction of sewerage improvements and extensions to the sewerage system to service properties located in the Consolidated Sewerage District No. 1 A portion of the funds are also used to pay debt service requirements on Special Assessment Certificates Series 2007.

## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenues at that time. The City considers property taxes available if they are collected within 60 days after year-end. Expenditures are recorded when the related liability is incurred. However, debt service expenditures are recorded only when payment is due.

Other major revenues that are considered susceptible to accrual include earned grant revenues and other intergovernmental revenues, charges for services and interest on investments. Franchise fees, licenses, permits, and fines are recognized when they are received because they are not objectively measurable.

##### Capital Assets

Capital assets, which include buildings, improvements other than buildings, moveable equipment, automotive equipment, and furniture and fixtures, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for the proprietary fund. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Primary government assets capitalized have an original cost of \$2,500 or more whereas the capitalization threshold for the component units is \$500 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method.

# CITY OF FRANKLIN, LOUISIANA

## Notes to the Financial Statements

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated useful lives are as follows:

Buildings	20 – 40 years
Improvements other than buildings	20 – 40 years
Moveable equipment	5 – 20 years

#### Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

#### Restricted Assets

Certain assets of the enterprise fund are classified as restricted assets because their use is limited by applicable bond covenants and other restrictions. The "debt service fund" is used to segregate resources accumulated for debt service payments according to the sinking fund requirements set aside by the bond requirements schedule. The "contingencies fund" is used to segregate resources accumulated to pay the principal and interest on bonds for the payment of which there is not sufficient money in the bond and interest sinking fund and is available for the making of improvements and extensions to the system. However, this money shall never be used for the making of improvements and extensions to the system or payment of principal and interest on bonds if such use of said money will leave in the revenue bond contingency fund for the making of emergency repairs or replacements less than the sum of \$10,000. The reserve fund is to be maintained solely for the purpose of paying the principal and interest on bonds payable from the debt service fund as to which there would otherwise be default. The "customer deposits" is used to segregate those refundable resources received from customers currently on the system.

#### Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Although the specific charge-off method is not in conformity with generally accepted accounting principles (GAAP), the resulting difference between the allowance method and specific charge-off method would result in an immaterial difference. An allowance for uncollectible utility receivables of \$54,846 has been provided at April 30, 2014.



CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated. Interfund transfers between the governmental funds and the business-type funds are not eliminated but are shown in the statement of activities as “transfers”.

Compensated Absences

Employees earn paid vacation time each year based upon their total years of service. Vacation time must be used within the fiscal year and cannot be carried over to subsequent periods.

Certain employees also earn compensatory time off for overtime hours worked. These compensated absences are allowed to accumulate from period to period if not used. Upon termination, an employee is compensated for the accumulation of this time.

Equity Classifications

Government-wide Financial Statements:

Net position represents the difference between assets and liabilities. Net position is reported in three categories, as follows:

- a. Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position items with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – consists of the net amount of assets and liabilities that do not meet the definition of the above two components and is available for general use by the City.

Fund Financial Statements:

The City applies GASBS No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. See Note 18 for further explanation.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization of Interest Expense

It is the policy of the City to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. For the year ended April 30, 2014, no capitalized interest expense was recorded on the books.

Use of Estimates

The City's management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures or expenses, as appropriate. Actual results may differ from these estimates.

Receivables in Governmental Funds

Receivables are stated at net realizable value after provision for estimated uncollectible accounts. Provision for uncollectible accounts total \$33,603 which includes \$26,495 in the Revolving Loan Fund and \$7,108 in the W. McKerall O'Neill Shell Fund.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Enterprise Fund considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Subsequent Events

The City has evaluated subsequent events through November 15, 2014, the date the financial statements were available to be issued.

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At April 30, 2014, the City has cash and interest-bearing deposits (book balances) as follows:

Demand deposits - primary government	\$ 328,735
Demand deposits - component units	47,092
Interest-bearing deposits	<u>4,208,666</u>
Total	<u>\$ 4,584,493</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS (CONTINUED)

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be recovered. Under state law, the City's deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the City's name by the pledging bank or by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at April 30, 2014, are secured as follows:

Bank balances	<u>\$ 4,627,723</u>
Federal deposit insurance	1,098,834
Pledged securities	<u>6,795,533</u>
Total federal deposit insurance and pledged securities	<u>7,894,367</u>
Excess	<u>\$ 3,266,644</u>

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1<sup>st</sup> of each year. Taxes are levied by the City in September or October and are actually billed to taxpayers in November. Billed taxes become delinquent on January 1<sup>st</sup> of the following year. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Mary Parish. City property tax revenues are budgeted in the year billed.

For the year ended April 30, 2014, taxes of 19.64 mills were levied on property with assessed valuations totaling \$37,340,774 and were dedicated as follows:

General governmental services	13.82 mills
Sewerage system maintenance	5.82 mills

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 4 INTERFUND RECEIVABLES/PAYABLES

Interfund balances at April 30, 2014 consisted of the following amounts:

	<u>Receivables</u>	<u>Payables</u>
<b>Governmental Funds</b>		
Major Funds:		
General Fund		
Special Revenue Funds	\$ -	\$ 149,352
Proprietary Fund	<u>-</u>	<u>376,494</u>
Total General Fund	-	525,846
Special Revenue Funds:		
Liquid and Solid Waste Fund		
General Fund	119,352	-
Proprietary Fund	<u>2,094,446</u>	<u>-</u>
Total Special Revenue Funds	<u>2,213,798</u>	<u>-</u>
Total major funds	2,213,798	525,846
Nonmajor Funds:		
Special Revenue Funds:		
General Fund	<u>30,000</u>	<u>-</u>
Total governmental funds	2,243,798	525,846
<b>Business-Type Fund</b>		
Proprietary Fund:		
General Fund	376,494	-
Special Revenue Funds	<u>-</u>	<u>2,094,446</u>
Total business-type fund	<u>376,494</u>	<u>2,094,446</u>
Total interfund receivables/payables	<u>\$ 2,620,292</u>	<u>\$ 2,620,292</u>

These receivables and payables reverse in the normal course of operations. All remaining balances resulted from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between the funds are made.

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# CITY OF FRANKLIN, LOUISIANA

## Notes to the Financial Statements

### NOTE 5 INTERGOVERNMENTAL AGREEMENTS

The City has entered into several agreements with the St. Mary Parish Council (Parish) as follows:

Under one agreement, the City has agreed to provide fire protection to areas outside of the city limits. The City receives a monthly fee for this service of approximately \$2,700.

The second agreement states that the City will operate and maintain a sewerage facility. Under this agreement, the Parish reimburses the City for 30% of these costs on a monthly basis.

The City, Parish, and St. Mary Parish Consolidated Drainage District No. 1 (District) have agreed to set up a fund for maintenance of the Yokely Pumping Station. Each of the three entities is to deposit into a Capital Maintenance Fund an amount equal to \$3,333 per year until the amount reaches the sum of \$50,000. If at any time the fund falls below the \$50,000 threshold, each entity is to replenish the fund on the same equal basis until the fund is again at \$50,000. The District is in charge of overseeing the Capital Maintenance Fund and accounts for its activity, which has not been significant, on its separately issued financial statements.

The City, Parish, and St. Mary Parish Consolidated Drainage District No. 1 (District) have also entered into a cooperative endeavor agreement to equally fund the 30% local share of Phase II of the Yokely Bayou State Project. Each of these entities has agreed to contribute approximately \$166,650 each, or one-third of the local share of \$500,000.

### NOTE 6 DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at April 30, 2014 consisted of the following:

	General Fund	Liquid and Solid Waste Fund	Utility Fund	Totals
Federal Government				
Grants	\$ 23,365	\$ -	\$ -	\$ 23,365
State of Louisiana				
Grants	7,836	-	78,700	86,536
Grass Cutting Fee (DOTD)	5,420	-	-	5,420
Video poker taxes	23,850	-	-	23,850
St. Mary Parish Council				
Reimbursements	5,290	37,531	-	42,821
City Court Marshal				
Reimbursements	-	-	-	-
Total due from other governmental units	<u>\$ 65,761</u>	<u>\$ 37,531</u>	<u>\$ 78,700</u>	<u>\$ 181,992</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 7 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2014, was as follows:

	Balance 4/30/2013	Additions	Deletions	Balance 4/30/2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 825,187	\$ -	\$ -	\$ 825,187
Construction in progress	<u>473,525</u>	<u>2,034,724</u>	<u>(849,137)</u>	<u>1,659,112</u>
Total capital assets not being depreciated	1,298,712	2,034,724	(849,137)	2,484,299
Capital assets being depreciated:				
Buildings	2,700,285	-	-	2,700,285
Improvements	15,284,702	858,370	-	16,143,072
Equipment	<u>4,648,100</u>	<u>130,562</u>	<u>(17,704)</u>	<u>4,760,958</u>
Total capital assets being depreciated	22,633,087	988,932	(17,704)	23,604,315
Less accumulated depreciation for:				
Buildings	(1,689,445)	(64,429)	-	(1,753,874)
Improvements	(9,246,032)	(467,103)	-	(9,713,135)
Equipment	<u>(3,458,999)</u>	<u>(328,568)</u>	<u>15,138</u>	<u>(3,772,429)</u>
Total accumulated depreciation	<u>(14,394,476)</u>	<u>(860,100)</u>	<u>15,138</u>	<u>(15,239,438)</u>
Total capital assets, being depreciated, net	<u>8,238,611</u>	<u>128,832</u>	<u>(2,566)</u>	<u>8,364,877</u>
Governmental activities capital assets, net	<u>\$ 9,537,323</u>	<u>\$ 2,163,556</u>	<u>\$ (851,703)</u>	<u>\$10,849,176</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	<u>400,810</u>	<u>-</u>	<u>(400,810)</u>	<u>-</u>
Total capital assets not being depreciated	410,810	-	(400,810)	10,000
Capital assets being depreciated:				
Building improvements and equipment	7,604,660	593,650	-	8,198,310
Automotive equipment	253,640	34,300	-	287,940
Furniture and fixtures	<u>173,681</u>	<u>-</u>	<u>-</u>	<u>173,681</u>
Total capital assets being depreciated	8,031,981	627,950	-	8,659,931
Less accumulated depreciation for:				
Building improvements and equipment	(3,797,779)	(231,932)	-	(4,029,711)
Automotive equipment	(242,801)	(9,491)	-	(252,292)
Furniture and fixtures	<u>(168,399)</u>	<u>(1,507)</u>	<u>-</u>	<u>(169,906)</u>
Total accumulated depreciation	<u>(4,208,979)</u>	<u>(242,930)</u>	<u>-</u>	<u>(4,451,909)</u>
Total capital assets, being depreciated, net	<u>3,823,002</u>	<u>385,020</u>	<u>-</u>	<u>4,208,022</u>
Business-type activities capital assets, net	<u>\$ 4,233,812</u>	<u>\$ 385,020</u>	<u>\$ -</u>	<u>\$ 4,218,022</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 7 CHANGES IN CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government and administration	\$ 17,133
Judicial	838
Public safety:	
Police	74,837
Fire	133,042
Public works:	
Streets and drainage	145,649
Culture and recreation	82,777
Community development	49,886
Sanitation	<u>355,938</u>
Total depreciation expense, governmental activities	<u>\$ 860,100</u>
Business-type activities:	
Water	<u>\$ 242,930</u>

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Component Unit:				
City Court -				
Capital assets being depreciated:				
Furniture, fixtures, and equipment	\$ 52,699	\$ 3,297	\$ -	\$ 55,996
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	<u>(45,792)</u>	<u>(2,316)</u>	<u>-</u>	<u>(48,108)</u>
Total capital assets being depreciated, net	<u>\$ 6,907</u>	<u>\$ 981</u>	<u>\$ -</u>	<u>\$ 7,888</u>

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Component Unit:				
Ward Three Marshal -				
Capital assets being depreciated:				
Vehicles	\$ 24,854	\$ -	\$ -	\$ 24,854
Furniture and equipment	<u>6,300</u>	<u>864</u>	<u>-</u>	<u>7,164</u>
	31,154	864	-	32,018
Less accumulated depreciation for:				
Vehicles, furniture and equipment	<u>(22,862)</u>	<u>(1,931)</u>	<u>-</u>	<u>(24,793)</u>
Total capital assets being depreciated, net	<u>\$ 8,292</u>	<u>\$ (1,067)</u>	<u>\$ -</u>	<u>\$ 7,225</u>

All of the depreciation for both component units was charged to the general government function.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 8 CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended April 30, 2014:

	Balance April 30, 2013	Additions	Deletions	Balance April 30, 2014	Due Within One Year
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 91,250	\$ -	\$ 15,000	\$ 76,250	\$ 15,000
Revenue Bonds	2,077,000	-	147,000	1,930,000	139,000
Special Assessment					
Sewerage Certificates	17,294	-	4,324	12,970	4,323
Certificates of Indebtedness	90,000	-	21,000	69,000	22,000
Capital Leases	254,925	51,253	86,342	219,836	74,564
Compensated Absences	99,593	72,898	95,195	77,296	77,296
Pension Obligations	<u>53,610</u>	<u>-</u>	<u>3,512</u>	<u>50,098</u>	<u>-</u>
Total governmental activities	2,683,672	124,151	372,373	2,435,450	332,183
<u>Business-type activities:</u>					
Revenue bonds payable	<u>\$ 1,672,000</u>	<u>\$ -</u>	<u>\$ 81,000</u>	<u>\$ 1,591,000</u>	<u>\$ 83,000</u>
Total government	<u>\$ 4,355,672</u>	<u>\$ 124,151</u>	<u>\$ 453,373</u>	<u>\$ 4,026,450</u>	<u>\$ 415,183</u>

Bonds and certificates payable at April 30, 2014 are comprised of the following individual issues:

	<u>Governmental</u>	<u>Business-type</u>
<u>General Obligation Bonds:</u>		
\$300,000 loan from the U.S. Department of Housing and Urban Development passed through the Louisiana Division of Administration, Office of Community Development due in monthly installments of \$1,250; bearing no interest; payable from rents received on the building	\$ 76,250	\$ -
<u>Revenue Bonds:</u>		
1995 Water and Sewer Revenue Bonds, Series A, dated June 23, 1995; due in annual installments of \$20,000 to \$27,000 maturing March 1, 2015; bearing interest at 2.95%; secured by a pledge of utility and liquid and solid waste revenues after reasonable and necessary operating expenses	27,000	-
Water and Sewer Revenue Bonds, Series 2000, dated July 28, 2000; due in annual installments of \$28,000 to \$53,000 maturing March 1, 2021; bearing interest at 3.45%; secured by a pledge of utility and liquid and solid waste revenues after reasonable and necessary operating expenses	333,000	-



CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 8 CHANGES IN LONG-TERM DEBT (CONTINUED)

	<u>Governmental</u>	<u>Business-type</u>
Revenue Bonds (Continued):		
2012 Public Improvement Revenue Bonds dated October 20, 2012; due in annual installments of \$80,000 to \$120,000 maturing June 1, 2030; bearing interest at 3.70%; secured by excess annual revenues	<u>1,570,000</u>	<u>-</u>
Total Revenue Bonds Payable	1,930,000	-
Special Assessment:		
\$59,540 Sewerage Certificates, Series 2007, dated March 1, 2007; due in annual installments of \$5,954 through March 1, 2017; bearing interest at 4.35%; payable from Consolidated Sewerage Project 2007 Fund	12,970	-
Certificates of Indebtedness:		
\$150,000 Certificates of Indebtedness, Series 2009, dated October 9, 2009; due in annual installments of \$20,000 to \$24,000 maturing December 1, 2016; bearing interest at 5.00%; secured by a fire truck	69,000	-
Utility Revenue Bonds:		
\$2,705,000 Water and Sewer Revenue Bonds, Series 2009 A and B, dated February 2, 2010; due in annual installments of \$75,000 to \$118,000, maturing March 1, 2030; bearing interest at 3.45%; secured by revenues from the Utility and Liquid and Solid Waste Funds. See note on Page 51.	<u>-</u>	<u>1,591,000</u>
Total bonds and certificates payable	<u>\$ 2,088,220</u>	<u>\$ 1,591,000</u>

The City entered into a loan agreement with the Louisiana Department of Health and Hospitals (Department) relating to the issuance of the \$2,705,000 Water and Sewer Revenue Bonds, Series 2009. The bonds were issued to finance the Water Rehabilitation Project. They have been issued in two series, \$811,000 of Water and Sewer Revenue Bonds Series A and \$1,894,000 of Water and Sewer Revenue Bonds Series B. The Series were sold to the Department and the purchase price of the Series A bond shall be paid to the City by the Department in installments on an "as-needed" basis. As the Department pays the installments on the Bond, the City's obligation to repay the principal for this particular bond will be forgiven.

The various bond indentures contain significant limitations and restrictions as to the annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage (see Notes 11 and 12). The City is in compliance with all such significant limitations and restrictions.

## CITY OF FRANKLIN, LOUISIANA

## Notes to the Financial Statements

## NOTE 8 CHANGES IN LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding as of April 30, 2014, are as follows:

General Obligation Bonds:

Year Ending April 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 15,000	\$ -	\$ 15,000
2016	15,000	-	15,000
2017	15,000	-	15,000
2018	15,000	-	15,000
2019	<u>16,250</u>	<u>-</u>	<u>16,250</u>
Total	<u>\$ 76,250</u>	<u>\$ -</u>	<u>\$ 76,250</u>

Revenue Bonds:

Year Ending April 30,	Principal	Interest	Total
2015	\$ 139,000	\$ 67,567	\$ 206,567
2016	114,000	62,733	176,733
2017	121,000	58,532	179,532
2018	123,000	54,169	177,169
2019	129,000	49,646	178,646
2020 - 2024	544,000	180,709	724,709
2025 - 2029	525,000	92,249	617,249
2030 - 2031	<u>235,000</u>	<u>9,148</u>	<u>244,148</u>
Total	<u>\$ 1,930,000</u>	<u>\$ 473,356</u>	<u>\$ 2,403,356</u>

Special Assessment Sewerage Certificates:

Year Ending April 30,	Principal	Interest	Total
2015	\$ 4,323	\$ 572	\$ 4,895
2016	4,323	381	4,704
2017	<u>4,324</u>	<u>191</u>	<u>4,515</u>
	<u>\$ 12,970</u>	<u>\$ 1,144</u>	<u>\$ 14,114</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 8 CHANGES IN LONG-TERM DEBT (CONTINUED)

Certificates of Indebtedness:

Year Ending  
April 30,

2015

2016

2017

Governmental Activities (Continued)

Principal

Interest

Total

\$ 22,000

\$ 3,200

\$ 25,200

23,000

2,350

25,350

24,000

1,200

25,200

\$ 69,000

\$ 6,750

\$ 75,750

Business-type Activities

Year Ending  
April 30,

2015

2016

2017

2018

2019

2020 - 2024

2025 - 2029

2030

Principal

Interest

Total

\$ 83,000

\$ 46,934

\$ 129,934

85,000

44,486

129,486

87,000

41,978

128,978

89,000

39,412

128,412

91,000

36,786

127,786

488,000

142,396

630,396

550,000

66,848

616,848

118,000

3,482

121,482

\$ 1,591,000

\$ 422,322

\$ 2,013,322

The City's general fund has acquired a piece of equipment with a basis of approximately \$595,000 under a capital lease. Also acquired under a capital lease in the general fund were two police cars with a total basis of approximately \$51,253. No other governmental funds have any significant leases. The City rents various equipment at times on a short-term basis.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of April 30, 2014:

Years ended:

2015

\$ 88,165

2016

86,281

2017

68,192

Total minimum lease payments

242,638

Less: amount representing interest

(22,802)

Present value of net minimum lease payments

\$ 219,836

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 9 COMPENSATION OF CITY OFFICIALS

A detail of compensation paid to the Mayor and City Council for the year ended April 30, 2014 follows:

	<u>Salary</u>	<u>Expense Allowance</u>	<u>Phone Allowance</u>	<u>Car Allowance</u>	<u>Total</u>
<u>Mayor:</u>					
Raymond Harris, Jr.	\$ 48,000	\$ 3,000	\$ 420	\$ 5,850	\$ 57,270
<u>Council:</u>					
Chuck Autin	6,000	1,800	-	-	7,800
Joseph Garrison	6,000	1,800	-	-	7,800
Dale Rogers	6,000	1,800	-	-	7,800
Eugene Foulcard	6,000	1,800	-	-	7,800
Lester Levine	<u>6,000</u>	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>7,800</u>
	<u>\$ 78,000</u>	<u>\$ 12,000</u>	<u>\$ 420</u>	<u>\$ 5,850</u>	<u>\$ 96,270</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 10 INTERFUND TRANSFERS

	Transfers in	Transfers out
<b>Governmental Funds</b>		
Major Funds:		
General Fund:		
Capital Projects Fund	\$ -	\$ 193,198
Debt Service Funds	-	93,700
Total General Fund	-	286,898
Special Revenue Funds:		
Liquid and Solid Waste Fund		
Capital Projects Fund	-	531,899
Debt Service Funds	-	83,660
Total Special Revenue Funds	-	615,559
Capital Projects Fund:		
General Fund	193,198	-
Special Revenue Funds	531,899	-
Proprietary Fund	165,348	181,720
Total Capital Projects Fund	890,445	181,720
Total Major Funds	890,445	1,084,177
Nonmajor Funds:		
Debt Service Funds		
General Fund	93,700	-
Special Revenue Funds	83,660	-
Total Debt Service Funds	177,360	-
Total Governmental Funds	1,067,805	1,084,177
<b>Business-type Fund</b>		
Proprietary Fund		
Capital Projects Fund	181,720	165,348
Total Interfund Transfers	<u>\$ 1,249,525</u>	<u>\$ 1,249,525</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 11 FLOW OF FUNDS; RESTRICTIONS ON USE - UTILITIES REVENUES

Under the terms of the bond indenture on outstanding 1995 Water and Sewer Revenue Bonds Series A and the 2000 Water and Sewer Revenue Bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Utilities System (Proprietary) and Sewer System (Governmental—Liquid and Solid Waste) after reasonable and necessary operating expenses are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds:

Revenues earned from the operation of the Utility System and the Sewer System shall be deposited daily into a Utility Fund and Liquid and Solid Waste Fund, respectively. These funds will pay all reasonable and necessary expenses of administering, operating, and maintaining the Utilities Systems.

Each month, there will be set aside into a fund called the '95 Water and Sewer Revenue Bond Sinking Fund an amount ranging from \$2,337 to \$2,316 per month on or before the 20<sup>th</sup> of each month in the Utility and Liquid and Solid Waste Funds in proportion to their respective interest and principal payments. Each month, there will also be set aside into a fund called the "Water and Sewer Revenue Bonds Sinking Fund" an amount ranging from \$9,039 to \$16,298 per month. This sinking fund is to accommodate the principal and interest payments related to the Series 2000 and Series 2009B Water and Sewer Revenue Bonds. Such transfers shall be made by the 20<sup>th</sup> of each month and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

Amounts shall also be set aside into the '95 Water and Sewer Revenue Bond Reserve Fund until the reserve funds equals 25% of sinking fund requirements annually. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the '95 Water and Sewer Revenue Bond Sinking Fund and as to which there would otherwise be default.

There should also be set aside into a Water and Sewer Revenue Bonds Reserve Fund an amount equal to 10% of the proceeds of the Water and Sewer Revenue Bonds Series 2000 and 2009B or the highest combined principal and interest requirements for any succeeding bond year on the bonds.

Funds in an amount equivalent to five percent (5%) of net revenue of the System of the preceding month will also be set aside into a "Capital Additions and Contingencies Account" in the Utility Fund. Money in this fund may be used to pay the principal and interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds. If the balance in this fund should ever be reduced below \$60,000, payments shall resume until \$60,000 is on deposit.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 11 FLOW OF FUNDS; RESTRICTIONS ON USE - UTILITIES REVENUES (CONTINUED)

Funds in the amount equivalent to five percent (5%) of the net revenue of the System of the preceding month will also be set aside into a 2000 Water and Sewer System Renewal and Replacement Fund. Money in the fund may be used to pay the principal and interest on both bonds falling due at any time there is not sufficient money for payment in the other bond funds. If the balance in the fund should ever be reduced below \$75,000, payments shall resume until \$75,000 is on deposit.

NOTE 12 DEDICATION OF PROCEEDS AND FLOW OF FUNDS - SALES AND USE TAXES

The City collects sales taxes under three sales tax levies as follows:

Proceeds of a 1% sales and use tax levied by the City in 1966. (2014 collections \$1,374,860). Collections are accounted for in the General Fund. Proceeds of this tax shall be used for the following purposes: construction, acquisition, improvement, maintenance and repairs of streets, capital improvements, public works and buildings (including the acquisition of sites and necessary fixtures, equipment, furnishings and appurtenances, and the payment of obligations and refunding obligations which have been or may be issued for the purpose of acquiring and improving public works and buildings); for payment or supplementing salaries of all municipal employees; for the operation of recreational facilities; for the acquisition, maintenance, repairs and payment of operating expenses of equipment, vehicles, and other machinery owned by the municipality; and for any other public purpose authorized by state law.

Proceeds of a 3/10 of 1% sales and use tax levied by the City in 1983 (2014 collections \$342,071) Collections are accounted for in the General Fund. Proceeds are dedicated to the following purposes: operating and maintaining the municipal police department, the municipal fire department and the volunteer fire department including paying or supplementing the salaries of municipal employees and personnel of those respective departments; and for the purpose of purchasing, constructing, acquiring, extending and/or improving all or any portion of public works or capital improvements, utilized or occupied by said departments.

Proceeds of a 3/4 of 1% sales and use tax levied by the City in 1973 (2014 collections \$1,228,316). Collections are accounted for in the Liquid and Solid Waste Fund—a special revenue fund. Proceeds are to be used for the construction, acquisition, extension, improvement, operation, and maintenance of solid waste collection and disposal facilities, sewers and sewerage disposal works, and other facilities for pollution control and abatement; and to pay debt service requirements on bonds issued for any of the above-mentioned purposes.

## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 13 EMPLOYEE RETIREMENT

Eligible employees of the City participate in one of four multiple-employer public employee retirement systems (PERS): Municipal Employees' Retirement System of Louisiana Part A, Municipal Police Employees' Retirement System, the Louisiana State Employees' Retirement System, and the Firefighters' Retirement System of Louisiana. Each plan is controlled and administered by a separate board of trustees. These retirement systems provide retirement, disability, and death benefits to plan members and their beneficiaries. Pertinent information relative to each plan follows:

##### Municipal Employees' Retirement System of Louisiana Part A

This plan was established by the Louisiana Legislature by Act 569 of 1968 and revised by Act 788 of 1978. Plan members are required to contribute 9.25 percent of their annual covered salary to the system while the City is required to contribute the statutory rate of 17.0 percent of the total annual covered salary through June 2013 and 18.75 percent of the total annual covered salary beginning July 2013. The City was also required to make contributions to the system of 17.0 percent of annual covered salaries for the year ended April 30, 2013 and 16.75 percent for the year ended April 30, 2012. The City's contributions to the system for the years ended April 30, 2014, 2013, and 2012 were \$242,931, \$240,762, and \$241,521, respectively, equal to the required contribution for each year.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

##### Municipal Police Employees' Retirement System

This plan was established by the Louisiana Legislature by Act 189 of 1973. Plan members are required to contribute 10.0 percent of their annual covered salary to the system while the City is required to contribute the statutory rate of 31.0 percent of the total annual covered salary for the year ended April 30, 2014. The City was also required to make contributions to the plan of 31.0 and 26.5 percent of annual covered salary for the years ended April 30, 2013 and 2012, respectively. The City's contributions to the system for the years ended April 30, 2014, 2013, and 2012 were \$97,423, \$115,286, and \$94,387, respectively, equal to the required contribution for each year.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Municipal Police Employees' Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809-7601.

##### Louisiana State Employees' Retirement System

This plan was established by the Louisiana Legislature in 1946. Plan members are required to contribute 11.5 percent of their annual covered salary to the system while the City is required



CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 13 EMPLOYEE RETIREMENT (CONTINUED)

Louisiana State Employees' Retirement System (continued)

to contribute the statutory rate of 34.8 percent of the total annual covered salary through June 2013 and 36.3 percent of the total annual covered salary beginning July 2013. The City was also required to make contributions to the plan of 34.8 and 31.8 percent of annual covered salary for the years ended April 30, 2013 and 2012, respectively. The City's contributions to the system for the years ended April 30, 2014, 2013, and 2012 were \$7,905, \$7,269, and \$1,879, respectively, equal to the required contribution for each year.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Louisiana State Employees' Retirement System of Louisiana, P.O. Box 44213, Baton Rouge, Louisiana 70804-4213.

Firefighters' Retirement System of Louisiana

This plan was established by the Louisiana Legislature in 1980. Plan members are required to contribute 10.0 percent of their annual covered salary to the system. The City is required to contribute the statutory rate of 24.0 percent of the total annual covered salary through June 2013 and 28.25 percent of the total annual covered salary beginning July 2013. The City was required to contribute the statutory rates of 24.0 and 23.25 percent of total annual covered salary for the years ended April 30, 2013 and 2012, respectively. The City's contributions to the system for the years ended April 30, 2014, 2013, and 2012 were \$30,907, \$24,009, and \$23,033, respectively, equal to the required contribution for each year.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Firefighters' Retirement System, P.O. Box 94095 – Capital Station, Baton Rouge, Louisiana 70804-9095.

Social Security Contributions

Employees of the City are also covered under the Federal Insurance Contributions Act (Social Security). The City makes the required contributions to the various plans and is not responsible for the benefits.

NOTE 14 CITY OF FRANKLIN FUNDED PENSION PLAN

The following information conforms to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as amended by GASB Statement No. 50, *Pension Disclosures*.

Prior to 1976, the City had its own pension plan covering eligible employees. The City is still paying retirement benefits from City funds to an eligible spouse of a retired member in accordance with the policies, terms, and rates of the Franklin Police Retirement System which was in effect prior to joining the state system. The City is funding the pension costs when

# CITY OF FRANKLIN, LOUISIANA

## Notes to the Financial Statements

### NOTE 14 CITY OF FRANKLIN FUNDED PENSION PLAN (CONTINUED)

benefits are paid to this spouse. For the year ended April 30, 2014, an actuarial valuation was performed to determine the City's annual required contribution (ARC) and the net pension obligations (NPO).

The current year annual pension cost and net pension obligation were as follows:

Annual required contribution	\$ 7,663
Interest on net pension obligation	1,724
Adjustment to annual required contribution	<u>(5,477)</u>
Net annual pension costs	3,910
Contributions made	<u>(7,422)</u>
Decrease in net pension obligation	(3,512)
Net pension obligation - beginning of year	<u>53,610</u>
Net pension obligation - end of year	<u>\$ 50,098</u>

#### Actuarial Assumptions:

Valuation date	April 30, 2014
Actuarial cost method	Projected unit credit
Asset valuation method	Market value of assets
Inflation rate	None
Long term rate of return	3.25%
Remaining amortization period	8.47 years based on mortality tables

The City funds no other material post-retirement benefits for its former employees.

### NOTE 15 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. However, it is the policy of the City to retain the risk of losses related to: action of its police officers, general public liability (excluding vehicles and buildings), and a portion of employee medical and health benefits.

The City is insured up to policy limits for each of the above risks. There were no significant changes in coverage, retentions, or limits during the year ended April 30, 2014. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 16 PENDING LITIGATION

There are several claims pending against the City. The City's legal counsel has reviewed the City's claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City. It is the opinion of the City, after conferring with legal counsel, that the liabilities, if any, which might arise from these lawsuits would not have a material adverse effect on the City's financial position.

NOTE 17 PRIOR-PERIOD ADJUSTMENTS

The financial statements as of and for the year ended April 30, 2013 for the General Fund have been restated to correct for the erroneous understatement of prior year receivables, the erroneous misreporting of prior year clearing fund balances, the understatement of construction in progress, the overstatement of prior year compensated absences, and the treatment of bond issuance costs in accordance with GASBS No. 65. The result of these transactions is a net increase in fund balance in the General Fund of \$22,620 and a net increase in net position of the General Fund of \$139,983.

The financial statements as of and for the year ended April 30, 2013 for the Liquid and Solid Waste Fund have been restated to correct for the erroneous misreporting of prior year clearing fund balances. The result of this transaction is a net decrease in fund balance of \$2,972 and a corresponding net decrease in net position of the Liquid and Solid Waste Fund of \$2,972.

The financial statements as of and for the year ended April 30, 2013 for the Utility Fund have been restated to correct for the overstatement of prior year compensated absences, the erroneous misreporting of prior year clearing fund balances, and the treatment of bond issuance costs in accordance with GASBS No. 65. The result of these transactions is a net decrease in net position of \$22,206.

The effect of the preceding changes to the combined beginning fund balances of the governmental funds is a net increase of \$19,648; the net effect of these transactions on the beginning net position of the government-wide financial statements is a net increase of \$114,805.

NOTE 18 FUND BALANCES

Fund balances are classified as follows:

**Nonspendable Fund Balance**—amounts that are not in spendable form or are required to be maintained intact.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 18 FUND BALANCES (CONTINUED)

**Restricted Fund Balance**—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**Committed Fund Balance**—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

**Assigned Fund Balance**—amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City delegates the authority.

**Unassigned Fund Balance**—amounts that are available for any purpose.

The following is a schedule of fund balances as of April 30, 2014:

	General Fund	Liquid and Solid Waste Fund	Capital Outlay Fund	Other Governmental	Total Governmental Funds
Nonspendable:					
Prepaid Expenses	\$ 62,359	\$ 11,159	\$ -	\$ -	\$ 73,518
Perpetual Care	32,710	-	-	-	32,710
Restricted:					
Debt Service	-	-	-	255,833	255,833
School Lunch Program	-	-	-	6,596	6,596
Private Loan Programs	-	-	-	167,067	167,067
Drug Enforcement	-	-	-	12,230	12,230
Committed:					
Sewer Operations	-	3,277,772	-	-	3,277,772
Capital Projects	-	-	214,677	-	214,677
Assigned:					
Protest Taxes Escrow	61,522	-	-	-	61,522
Police Operations	38,554	-	-	-	38,554
Unassigned	<u>1,322,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,322,587</u>
Total fund balances	<u>\$ 1,517,732</u>	<u>\$3,288,931</u>	<u>\$ 214,677</u>	<u>\$ 441,726</u>	<u>\$ 5,463,066</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 18      FUND BALANCES (CONTINUED)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule  
General Fund  
Year Ended April 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Taxes:				
Ad valorem	\$ 515,000	\$ 517,018	\$ 514,282	\$ (2,736)
Interest and notices on ad valorem taxes	8,600	5,822	7,738	1,916
Sales	1,845,000	2,186,192	2,126,266	(59,926)
Franchise fees	430,000	390,249	456,654	66,405
Intergovernmental:				
Beer taxes	10,000	11,411	10,981	(430)
Video poker	217,000	164,862	219,010	54,148
Indian gaming	37,000	37,000	37,000	-
State grants	65,000	64,694	258,498	193,804
Federal grants	216,000	202,636	190,623	(12,013)
St. Mary Parish Council	114,000	165,218	173,906	8,688
Other governments	60,000	53,423	54,758	1,335
Licenses and permits	426,000	439,767	434,820	(4,947)
Fines and forfeitures	67,000	75,273	95,879	20,606
Rentals	30,700	51,076	59,025	7,949
Investment earnings	2,200	2,489	2,686	197
Miscellaneous:				
Cemetery plot sales	21,500	36,758	35,425	(1,333)
Mausoleum sales	15,000	5,987	8,690	2,703
Other sources	19,200	32,765	128,000	95,235
Total revenues	4,099,200	4,442,640	4,814,241	371,601

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule (Continued)  
General Fund  
Year Ended April 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Expenditures:				
General Government -				
Administrative	\$ 269,860	\$ 277,846	\$ 273,574	\$ 4,272
Judicial	233,550	231,264	234,100	(2,836)
Public Safety -				
Police	1,236,421	1,266,180	1,213,191	52,989
Fire	457,000	504,692	529,234	(24,542)
Public works -				
Streets and drainage	791,000	728,046	731,733	(3,687)
Other funding	246,733	272,913	321,841	(48,928)
Recreation	324,200	363,348	341,447	21,901
Community development	138,711	203,517	198,753	4,764
Debt Service -				
Principal	80,000	80,000	111,749	(31,749)
Interest and fiscal charges	57,000	77,079	81,766	(4,687)
Capital Outlay -				
Police	10,000	10,593	61,846	(51,253)
Fire	40,000	39,951	-	39,951
Public works	15,775	15,487	11,615	3,872
Recreation	-	10,552	9,233	1,319
Total expenditures	<u>3,900,250</u>	<u>4,081,468</u>	<u>4,120,082</u>	<u>(38,614)</u>
Excess of revenues over expenditures	198,950	361,172	694,159	332,987
Other financing sources (uses):				
Loan proceeds	-	-	51,253	51,253
Transfers in	-	-	2,000	2,000
Transfers out	<u>(198,950)</u>	<u>(222,890)</u>	<u>(287,427)</u>	<u>(64,537)</u>
Total other financing sources (uses)	<u>(198,950)</u>	<u>(222,890)</u>	<u>(234,174)</u>	<u>(11,284)</u>
Change in fund balance	-	138,282	459,985	321,703
Fund balance, beginning	<u>1,057,747</u>	<u>1,057,747</u>	<u>1,057,747</u>	-
Fund balance, ending	<u>\$ 1,057,747</u>	<u>\$ 1,196,029</u>	<u>\$ 1,517,732</u>	<u>\$ 321,703</u>

See accompanying notes to the required supplementary information.



CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule  
Liquid and Solid Waste Fund  
Year Ended April 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Taxes:				
Ad valorem	\$ 215,000	\$ 217,833	\$ 217,265	\$ (568)
Sales	1,065,000	1,266,510	1,228,316	(38,194)
Intergovernmental:				
State grants	-	-	31,757	31,757
St. Mary Parish Council	320,000	285,899	264,417	(21,482)
Charges for services:				
Sewer user fees	275,000	245,900	247,831	1,931
Garbage and landfill fees	520,000	521,432	524,839	3,407
Investment earnings	1,700	463	453	(10)
Miscellaneous	-	2,209	3,235	1,026
Total revenues	<u>2,396,700</u>	<u>2,540,246</u>	<u>2,518,113</u>	<u>(22,133)</u>
Expenditures:				
Sanitation:				
Administrative	289,281	293,806	296,592	(2,786)
Solid waste department	590,000	650,710	657,261	(6,551)
Sewer collection	208,840	240,648	262,564	(21,916)
Sewer plant	729,175	732,207	718,324	13,883
Meter department	76,546	70,802	68,154	2,648
Capital Outlay -				
Sewer plant	4,000	-	-	-
Meter department	<u>800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,898,642</u>	<u>1,988,173</u>	<u>2,002,895</u>	<u>(14,722)</u>
Excess of revenues over expenditures	498,058	552,073	515,218	(36,855)
Other financing sources uses				
Transfers out	<u>410,406</u>	<u>591,392</u>	<u>616,559</u>	<u>(25,167)</u>
Change in fund balance	87,652	(39,319)	(101,341)	(62,022)
Fund balance, beginning	<u>3,390,272</u>	<u>3,390,272</u>	<u>3,390,272</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,477,924</u>	<u>\$ 3,350,953</u>	<u>\$ 3,288,931</u>	<u>\$ (62,022)</u>

See accompanying notes to the required supplementary information.

CITY OF FRANKLIN, LOUISIANA

Notes to the Required Supplementary Information

NOTE 1 BASIS OF ACCOUNTING

The budgetary basis is in accordance with generally accepted accounting principles (GAAP).

NOTE 2 BUDGETARY PRACTICES

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Director of Finance, with inputs from the Mayor, City Clerk, and all department heads, submits proposed budgets for the general and special revenue funds to the Finance Committee. Once reviewed and approved by the Finance Committee, the budgets for each fiscal year are submitted to the City Council for approval. This is done no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfers of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the City Council. Such amendments were not material in relation to the original appropriations.

## **SUPPLEMENTAL INFORMATION**

## CITY OF FRANKLIN, LOUISIANA

Combining Balance Sheet  
Nonmajor Governmental Funds  
April 30, 2014

	Special Revenue				Debt Service	
	Summer Feeding Program Fund	Revolving Loan Fund	W. McKerall O'Neill Shell Fund	Narcotic Aid Fund	Consolidated Sewerage District No. 1 Sinking Fund	1995 Water and Sewer Revenue Bond Sinking Fund
ASSETS						
Cash and interest bearing deposits	\$ 6,596	\$ 117,234	\$ 10,325	\$ 12,230	\$ 131	\$ 20,131
Special assessments receivable	-	-	-	-	12,970	-
Loans receivable, net of allowance	-	10,000	33	-	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 6,596</u>	<u>\$ 127,234</u>	<u>\$ 40,358</u>	<u>\$ 12,230</u>	<u>\$ 13,101</u>	<u>\$ 20,131</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 525	\$ -	\$ -	\$ -	\$ -
Deferred inflows of resources	-	-	-	-	12,970	-
Fund balances:						
Restricted	<u>6,596</u>	<u>126,709</u>	<u>40,358</u>	<u>12,230</u>	<u>131</u>	<u>20,131</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,596</u>	<u>\$ 127,234</u>	<u>\$ 40,358</u>	<u>\$ 12,230</u>	<u>\$ 13,101</u>	<u>\$ 20,131</u>

Debt Service (Continued)

1995 Water and Sewer Revenue Bond Reserve Fund	1998 Sales Tax Fire Equipment Sinking Fund	2000 Water and Sewer Revenue Bond Sinking Fund	2000 Water and Sewer Revenue Bond Reserve Fund	2000 Water and Sewer System Renewal and Replacement Fund	Total Nonmajor Governmental Funds
\$ 28,873	\$ 48,613	\$ 27,789	\$ 55,026	\$ 75,270	\$ 402,218
-	-	-	-	-	12,970
-	-	-	-	-	10,033
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
<u>\$ 28,873</u>	<u>\$ 48,613</u>	<u>\$ 27,789</u>	<u>\$ 55,026</u>	<u>\$ 75,270</u>	<u>\$ 455,221</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 525
-	-	-	-	-	12,970
<u>28,873</u>	<u>48,613</u>	<u>27,789</u>	<u>55,026</u>	<u>75,270</u>	<u>441,726</u>
<u>\$ 28,873</u>	<u>\$ 48,613</u>	<u>\$ 27,789</u>	<u>\$ 55,026</u>	<u>\$ 75,270</u>	<u>\$ 455,221</u>

CITY OF FRANKLIN, LOUISIANA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended April 30, 2014

	Special Revenue				Debt Service	
	Summer Feeding Program Fund	Revolving Loan Fund	W. McKerall O'Neill Shell Fund	Narcotic Aid Fund	Consolidated Sewerage District No. 1 Sinking Fund	1995 Water and Sewer Revenue Bond Sinking Fund
Revenues:						
Intergovernmental						
Federal sources	\$ 45,427	\$ -	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	-	-	4,315	-
Charges for services	-	-	-	3,890	-	-
Investment earnings	-	74	5	6	763	69
Miscellaneous	<u>53</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	45,480	74	5	3,896	5,078	69
Expenditures:						
Current -						
Public safety:						
Police	-	-	-	4,666	-	-
Food services	45,247	-	-	-	-	-
Miscellaneous	-	659	-	-	-	-
Debt Service -						
Principal	-	-	-	-	4,323	26,000
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>783</u>	<u>1,564</u>
Total expenditures	<u>45,247</u>	<u>659</u>	<u>-</u>	<u>4,666</u>	<u>5,106</u>	<u>27,564</u>
Excess (deficiency) of revenues over expenditures	<u>233</u>	<u>(585)</u>	<u>5</u>	<u>(770)</u>	<u>(28)</u>	<u>(27,495)</u>
Other financing sources						
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,050</u>
Change in fund balances	233	(585)	5	(770)	(28)	555
Fund balances, beginning	<u>6,363</u>	<u>127,294</u>	<u>40,353</u>	<u>13,000</u>	<u>159</u>	<u>19,576</u>
Fund balances, ending	<u>\$ 6,596</u>	<u>\$ 126,709</u>	<u>\$ 40,358</u>	<u>\$ 12,230</u>	<u>\$ 131</u>	<u>\$ 20,131</u>

Debt Service (Continued)

1995 Water and Sewer Revenue Bond Reserve Fund	1998 Sales Tax Fire Equipment Sinking Fund	2000 Water and Sewer Revenue Bond Sinking Fund	2000 Water and Sewer Revenue Bond Reserve Fund	2000 Water and Sewer System Renewal and Replacement Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,427
-	-	-	-	-	4,315
-	-	-	-	-	3,890
187	22	23	133	182	1,464
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53</u>
187	22	23	133	182	55,149
-	-	-	-	-	4,666
-	-	-	-	-	45,247
-	-	-	-	-	659
-	76,541	41,000	-	-	147,864
-	<u>16,963</u>	<u>14,811</u>	-	-	<u>34,121</u>
-	<u>93,504</u>	<u>55,811</u>	-	-	<u>232,557</u>
<u>187</u>	<u>(93,482)</u>	<u>(55,788)</u>	<u>133</u>	<u>182</u>	<u>(177,408)</u>
<u>-</u>	<u>93,700</u>	<u>55,610</u>	<u>-</u>	<u>-</u>	<u>177,360</u>
187	218	(178)	133	182	(48)
<u>28,686</u>	<u>48,395</u>	<u>27,967</u>	<u>54,893</u>	<u>75,088</u>	<u>441,774</u>
<u>\$ 28,873</u>	<u>\$ 48,613</u>	<u>\$ 27,789</u>	<u>\$ 55,026</u>	<u>\$ 75,270</u>	<u>\$ 441,726</u>

**INTERNAL CONTROL  
AND  
COMPLIANCE**





E. Larry Sikes, CPA/PFS, CVA, CFP®  
Danny P. Frederick, CPA  
Clayton E. Damall, CPA, CVA  
Eugene H. Damall, III, CPA  
Stephanie M. Higginbotham, CPA  
John P. Armato, CPA/PFS  
J. Stephen Gardes, CPA, CVA  
Jennifer S. Ziegler, CPA/PFS, CFP®  
Chris A. Miller, CPA, CVA  
Steven G. Moosa, CPA  
M. Rebecca Gardes, CPA  
Joan B. Moody, CPA  
Lauren V. Hebert, CPA/PFS  
Erich G. Loewer, III, CPA, M.S. Tax  
Stephen R. Dischler, MBA, CPA  
Pamela Mayeux Bonin, CPA, CVA  
Craig C. Babineaux, CPA/PFS, CFP®  
Jeremy C. Meaux, CPA  
Chad M. Bailey, CPA  
Adam J. Curry, CPA, CFP®  
Kyle P. Saltzman, CPA  
Blaine M. Crochet, CPA, M.S.

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*

The Honorable Raymond Harris Jr., Mayor  
and Members of the City Council  
City of Franklin, Louisiana

Kathleen T. Damall, CPA  
Kevin S. Young, CPA  
Christy S. Dew, CPA, MPA  
Rachel W. Ashford, CPA  
Veronica L. LeBleu, CPA, MBA  
Christine Guidry Berwick CPA, MBA  
Brandon L. Porter, CPA  
Christine H. Ford, CPA  
Barry J. Dufrene, CPA  
Tanya S. Nowlin, Ph.D., CPA  
Nicole B. Bruchez, CPA, MBA  
Brandon R. Dunphy, CPA  
Seth C. Norris, CPA  
Ryan Earles, CPA  
Jenifer Zaumbrecher, CPA  
Robert C. Damall, CPA, M.S.  
Elizabeth H. Olinde, CPA  
Kai Seah, CPA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Louisiana, as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Franklin, Louisiana's basic financial statements and have issued our report thereon dated November 15, 2014.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Franklin, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses

A Member of:  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

2000 Kaliste Saloom  
Suite 300  
Lafayette, LA 70508  
Phone: 337.232.3312  
Fax: 337.237.3614

1231 E. Laurel Avenue  
Eunice, LA 70535  
Phone: 337.457.4146  
Fax: 337.457.5060

1201 Brashear Avenue  
Suite 301  
Morgan City, LA 70380  
Phone: 985.384.6264  
Fax: 985.384.8140

203 S. Jefferson Street  
Abbeville, LA 70510  
Phone: 337.893.5470  
Fax: 337.893.5470

[www.dsfcpas.com](http://www.dsfcpas.com)

or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Franklin, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Darnall, Sikes, Gardes & Frederick*  
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana  
November 15, 2014

CITY OF FRANKLIN, LOUISIANA

Summary Schedule of Prior Year Findings  
Year Ended April 30, 2014

2013-001    Utility Billing Adjustments

Condition: Utility accounts receivable and related service revenue account balances were overstated by \$30,202 as of April 30, 2013 as a result of billing errors that occurred on or before April 30, 2013 not being corrected until May 2013 and posted to the accounting system in the incorrect accounting period.

Recommendation: Policies and procedures, including documentation of review and approval, related to the preparation and posting of utility billing adjustments to the accounting system should be implemented by management.

Status: This finding is resolved.

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Responses  
Year Ended April 30, 2014

Part 1 Summary of Audit Results

FINANCIAL STATEMENTS

Auditor's Report

An unmodified opinion has been expressed on the primary government's governmental activities, business-type activity, and each major fund financial statements as of and for the year ended April 30, 2014.

Deficiencies in Internal Control - Financial Reporting

Our consideration of internal control over financial reporting did not disclose any instances of deficiencies in internal control which are required to be reported under *Government Auditing Standards*.

Material Noncompliance - Financial Reporting

There were no material instances of noncompliance noted for the year ended April 30, 2014.

FEDERAL AWARDS

This section is not applicable for the year ended April 30, 2014.

MANAGEMENT LETTER

A separate management letter was not issued for the year ended April 30, 2014.

Part 2 Findings Relating to an Audit in Accordance with *Government Auditing Standards*

There were no findings noted during the audit.

Part 3 Findings and Questioned Costs Relating to Federal Programs

At April 30, 2014, the City of Franklin, Louisiana did not meet the requirements to have a single audit in accordance with OMB A-133; therefore, this section is not applicable.

CITY OF FRANKLIN, LOUISIANA

Management's Corrective Action Plan for Current Year Findings  
Year Ended April 30, 2014

There were no findings noted during the audit.

## **OTHER SUPPLEMENTARY INFORMATION**

CITY OF FRANKLIN, LOUISIANA

Schedule of Sewerage Rates and Billings  
(Unaudited)  
Year Ended April 30, 2014

		Billing Amounts
May 2013	Fee based on consumption	\$ 18,851
June 2013		18,673
July 2013		19,758
August 2013		20,990
September 2013		18,694
October 2013		19,025
November 2013		22,369
December 2013		19,148
January 2014		22,110
February 2014		19,161
March 2014		16,808
April 2014		17,584
		<u>\$ 233,171</u>

The number of system users at the end of the fiscal year was 3,030.  
The average monthly billing per user was \$6.41.

The fee is based on water consumption set at:  
\$1.60 minimum up to 2,000 gallons.  
\$1.20 per 1,000 gallons thereafter.

CITY OF FRANKLIN, LOUISIANA

Schedule of Water Rates and Billings  
(Unaudited)  
Year Ended April 30, 2014

		Billing Amounts
May 2013	Fee based on consumption	\$ 112,730
June 2013		109,376
July 2013		109,990
August 2013		112,275
September 2013		112,422
October 2013		119,837
November 2013		121,792
December 2013		114,953
January 2014		119,922
February 2014		113,334
March 2014		107,717
April 2014		111,984
		<u>\$ 1,366,332</u>

The number of system users at the end of the fiscal year was 3,030.

The average monthly billing per user was \$37.58.

The fee is based on water consumption set at:

- \$10.00 minimum up to 2,999 gallons
- \$4.50 per 1,000 gallons from 3,000 to 14,999 gallons
- \$3.82 per 1,000 gallons from 15,000 to 19,999 gallons
- \$3.76 per 1,000 gallons from 20,000 to 65,999 gallons
- \$3.70 per 1,000 gallons thereafter



CITY OF FRANKLIN, LOUISIANA

Schedule of Insurance in Force  
(Unaudited)  
April 30, 2014

Description of Coverage	Amount of Limits	Expires	Company
Workmen's Compensation -	Statutory Louisiana Benefits \$500,000 each accident \$500,000 each employee \$500,000 each policy	7/12/2014	Louisiana Workers Comp. Corp.
Business Automobile	auto liability - \$500,000 fire vehicles - \$1,000,000	12/31/2014 10/4/2014	Technology Insurance Co. VFIS
Surety Bond	\$60,000 - Mayor \$60,000 - Director of Administration \$20,000 - other employees \$60,000 - Tax Collector \$5,000 City Marshal \$1,000 Court Clerk \$5,000 City Deputy Marshal \$5,000 City Deputy Marshal	9/20/2014 9/20/2014 9/20/2014 9/20/2014 5/5/2014 10/1/2014 5/5/2014 5/5/2014	Western Surety Western Surety Western Surety Western Surety CNA Surety CNA Surety CNA Surety CNA Surety
Fire and Extended Coverage	All City Buildings & PP - \$8,907,000	5/1/2014	Westchester Surplus Lines
Premises Liability	Bodily Injury & Damage \$2,000,000	5/1/2014	Westchester Surplus Lines
Computer Coverage	\$90,316	2/6/2015	Scottsdale Insurance Co.
Machinery Breakdown Policy	\$13,215,000 - Water and Sewer Plant Machinery	1/8/2015	Hartford
Health Benefit Plan	PPO Group Care	12/31/2014	Blue Cross of Louisiana
Commercial Property	\$1,790,000 - 300 Iberia St.	5/1/2014	Westchester Surplus Lines
Liability	\$126,880 - Daewoo Excavator	7/2/2014	Allianz Global

CITY OF FRANKLIN, LOUISIANA

Schedule of Changes in Assets Related to  
1995 Water and Sewer Revenue Bond Debt Service  
Year Ended April 30, 2014

	1995 Water & Sewer Renewal & Replacement Fund in the Utility Fund	<u>Sinking Fund</u> 1995 Water & Sewer Revenue Bonds	<u>Reserve Fund</u> 1995 Water & Sewer Revenue Bonds
Cash, May 1, 2013	\$ 831,990	\$ 19,576	\$ 28,686
Cash receipts:			
Interest earned on account	773	69	187
Transfer from operating account	<u>134,000</u>	<u>28,050</u>	<u>-</u>
Total cash receipts	134,773	28,119	187
Cash disbursements:			
Interest and bank charges	1,065	1,564	-
Principal payments	-	26,000	-
Payments for capital additions	<u>279,810</u>	<u>-</u>	<u>-</u>
Total cash disbursements	<u>280,875</u>	<u>27,564</u>	<u>-</u>
Cash, April 30, 2014	<u>\$ 685,888</u>	<u>\$ 20,131</u>	<u>\$ 28,873</u>